PREFACE

Theories of Surplus-Value was written by Marx between January 1862 and July 1863. This work is part of the voluminous manuscript of 1861-63, entitled by Marx *Zur Kritik der Politischen Oekonomie* (*A Contribution to the Critique of Political Economy*) and written by him as the immediate sequel to the first part of *A Contribution to the Critique of Political Economy* published in 1859. The 1861-63 manuscript consists of 23 notebooks (the pages numbered consecutively from 1 to 1472) running to some 200 printed sheets in length: it is the first systematically worked out draft — though still only rough and incomplete — of all four volumes of *Capital*. *Theories of Surplus-Value* forms the longest (about 110 printed sheets) and most fully elaborated part of this manuscript and is *the first and only draft of the fourth, concluding volume of "Capital"*. Marx called this volume, as distinguished from the three theoretical volumes, the *historical*, *historico-critical*, or *historico-literary* part of his work.

Marx began to write *Theories of Surplus-Value* within the framework of the original plan of his *Critique of Political Economy* as he had projected in 1858-62. On the basis of what Marx says of the structure of his work in his introduction to the first part of *A Contribution to the Critique of Political Economy*, in his letters of 1858-62 and in the 1861-63 manuscript itself, this plan can be presented in the following schematic form:

PLAN OF THE CRITIQUE OF POLITICAL ECONOMY AS PROJECTED BY MARX IN 1858-62

[[The scheme's form has been adapted for the Web edition.]]

1. Capital:

    1. [Introduction: Commodity and Money]
    2. Capital in general:

        1. The production process of capital:
            1. Transformation of money into capital
            2. Absolute surplus-value
            3. Relative surplus-value
            4. The combination of both
            5. Theories of surplus-value

        2. The circulation process of capital
        3. The unity of the two, or capital and profit

    3. The competition of capitals
    4. Credit
    5. Share capital

2. Landed property
3. Wage-labour
4. The state
5. Foreign trade
6. The world-market

It can be seen from this plan that *Theories of Surplus-Value* was originally conceived by Marx as a historical excursus to that section of his theoretical study of "capital in general" which was devoted to the problem of the

production process of capital. This historical excursus was to conclude the section on the production process of capital, in the same way as in the first part of *A Contribution to the Critique of Political Economy* the chapter on commodities was concluded by the historical excursus "On the History of the Theory of Commodities" and the chapter on money by the historical excursus "Theories of the Medium of Circulation and of Money".

That was Marx's original plan. But in the process of working it out the historical excursus on theories of surplus-value went far beyond the limits of this plan. The subject-matter of the theories to be investigated and criticised by Marx itself demanded an extension of the limits of the inquiry. The critical analysis of the views of bourgeois economists on surplus-value was unavoidably interwoven for Marx with the analysis of their ideas of profit; and in so far as these ideas were bound up with erroneous conceptions of ground-rent, it was necessary also to examine the theory of rent -and so on. On the other hand, in order to make the criticism of erroneous theories comprehensive and exhaustive, Marx counterposed to them one or another positive part of the new economic theory created by Marx himself -a theory that represents the greatest revolutionary transformation in the whole of economic science.

To grasp fully the character of the material and structure of *Theories of Surplus-Value* it is necessary to bear in mind also the following. At the time when Marx began his work on the *Theories*, of the theoretical parts of *Capital* only the first — "The Production Process of Capital" — had been more or less worked out in writing, and even that not fully (this question is examined in the first five notebooks of the 1861-63 manuscript). The second and third parts — to be more exact, certain sections of them — existed only in the form of preliminary sketches in the manuscript of 1857-58. In writing the historical part, therefore, Marx could not simply make

reference to certain pages of his theoretical work, but was obliged to undertake a positive elaboration of those theoretical questions which came up in the critical analysis of all previous political economy.

All this led to the historical excursus *Theories of Surplus-Value* assuming immense proportions. In the voluminous manuscript of 1861-63 the historical, or historico-critical, part fills notebooks VI to XV inclusive, plus XVIII, and a number of separate historical essays in notebooks XX to XXIII.

The main text of *Theories of Surplus-Value* is contained in notebooks VI to XV and XVIII, written in the period from January 1862 to January 1863 inclusive. The table of contents compiled by Marx and written on the covers of notebooks VI to XV refers also to this text. This table of contents is of great importance for an understanding of the general structure of Marx's work, its component parts and its plan. In the present edition it is printed at the very beginning of the first part (pp. 37-39). The historico-critical essays and notes contained in the last notebooks of the manuscript, and written in the spring and summer of 1863, are supplementary to the main text.

In the course of his work on *Theories of Surplus-Value* the range of problems examined by Marx was constantly extending. And in the end this led Marx to the idea that it was necessary to separate off the whole of the historico-critical material to form a special, fourth volume of *Capital*. In the process of Marx's work on *Capital* the decisive significance of the division into three parts (1. The Production Process of Capital, 2. The Circulation Process of Capital, 3. The Unity of the Two) which Marx originally had in mind only for the section "Capital in General", became more and more apparent. This division into three parts proved to be so important and so profound that gradually even those subjects which,

according to the original plan, were not among the complex of questions allocated by Marx to the section "Capital in General", came to be included in it (for example, the competition of capitals, credit, rent). Parallel with this process of working out the three theoretical parts of *Capital*, which gradually incorporated all the theoretical problems of the political economy of capitalism, Marx became more and more strongly convinced that the historico-critical inquiry should be presented in the form of a separate book — as the fourth volume of *Capital*.

About a month after finishing his work on the 1861-63 manuscript Marx (in a letter dated August 15, 1863) wrote to Engels about this manuscript of his: "... I look at this compilation now and see how I have had to turn everything upside-down and how I had to create even the *historical* part out of material of which some was quite unknown...." By "the historical part" Marx meant the *Theories of Surplus-Value*, which he was therefore already considering as a separate, special part of his work; whereas as late as January 1863 he was proposing to distribute this historico-critical material among the theoretical sections of his inquiry into "Capital in General", as is evident from the plans he drew up for the first and the third parts of *Capital* (see pp. 414-16 of the present volume).

Marx's intention to carry through a critical examination of the history of political economy, starting from the middle of the seventeenth century, is shown by his detailed historico-critical essay on Petty, contained in notebook XXII of the manuscript, written in May 1863; it has the characteristic heading "Historical: Petty". This essay, which has no internal connection with either the preceding or following text, was clearly intended by Marx for the historico-critical part of his work. Petty's views on value, wages, rent, the price of land, interest, etc., are analysed in the essay. Such a wide treatment of Petty's

economic views shows that already in May 1863 Marx had conceived the idea which four years later (April 30, 1867) he explicitly set out in a letter to Siegfried Meyer, when he wrote regarding the structure of his *Capital*: "*Volume I* comprises the *'Process of Capitalist Production' … Volume II* gives the continuation and conclusion of the theories, *Volume III the history of political economy from the middle of the seventeenth century*" (Marx at that time proposed to issue the second and third books of *Capital* in *one* volume).

We find the first direct reference to the fourth, "historico-literary", book of *Capital* in Marx's letter to Engels of July 31, 1865. Marx wrote to Engels about how he is getting on with his *Capital*: "There are still three chapters to write in order to complete the theoretical part (the first three books). Then there is still the fourth book, the historico-literary one, to write, which is relatively the easiest part to me as all the problems have been solved in the first three books and this last is therefore more of a repetition in historical form." Here the question may arise why Marx says that he still has "to write" the fourth book of *Capital*, although in the letter of August 15, 1863 quoted above he speaks of "the historical part" as of something already written. The difference in the formulations of 1863 and of 1865 is to be explained by the fact that in the intervening period, in the course of 1864-65, Marx recast and rewrote all three theoretical parts of his work, but the fourth part — "the historico-literary" — was still in the original form as it had been written in 1862-63, and therefore had to be worked over again in conformity with his re-editing of the first three volumes of *Capital*.

From Marx's letter of November 3, 1877 to Siegmund Schott it appears that Marx also later on regarded the historical part of *Capital* as in some degree already written. In this letter Marx says of his work on *Capital*: "In fact I myself began *Capital*, precisely in the reverse

order (beginning with the third historical part) from that in which it is presented to the public, with the qualification, however, that the first volume, which was the last to be taken in hand, was prepared for the press straightway while the two others still remained in the raw form that every inquiry originally assumes." Here the historical part is called the third for the reason that Marx, as already mentioned, intended to issue the second and third books of *Capital* in one volume, as Volume 11, and the fourth book, "History of the Theory", as the third volume.

These statements by Marx entitle us to regard *Theories of Surplus-Value* (with the supplementary 'historical sketches and notes from notebooks XX-XXIII) as the original and only draft of the fourth book — or fourth volume — of *Capital*. Engels and Lenin called *Theories of Surplus-Value* the fourth volume of *Capital*.

For these reasons, the words "Volume IV of *Capital*" have, in the present volume, been added in round brackets to the title *Theories of Surplus-Value* given by Marx in his 1861-63 manuscript.

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Engels first refers to the manuscript *Theories of Surplus-Value* in his letters to Kautsky of February 16, and March 24, 1884. In the second letter Engels sends word of the agreement reached with Meissner, the publisher of *Capital*, as to the sequence in which the second and then the third book of *Capital*, and *Theories of Surplus-Value* as the concluding part of the whole work, were to be published.

In his letter to Bernstein, written in August 1884, Engels speaks in greater detail of this concluding part of *Capital*. Here we find: "... 'History of the Theory', between ourselves, is in the main written. The manuscript

of *A Contribution to the Critique of Political Economy* ... contains, as I believe I showed you here, about 500 quarto pages of *Theories of Surplus-Value*, in which it is true there is a good deal to be cut out, as since then it has been worked up in a different way, but there is still enough."

Engels's preface (dated May 5, 1885) to Volume II of *Capital* gives the most detailed information about the manuscript *Theories of Surplus-Value* and the form in which Engels intended to publish it. He points out that *Theories of Surplus-Value* makes up the main body of the lengthy manuscript *A Contribution to the Critique of Political Economy*, written in 1861-63, and continues: "This section contains a detailed critical history of the pith and marrow of Political Economy, the theory of surplus-value, and develops parallel with it, in polemics against predecessors, most of the points later investigated separately and in their logical connection in the manuscript for Books II and III. After eliminating the numerous passages covered by Books II and III I intend to publish the critical part of this manuscript as *Capital*, Book IV. Valuable as this manuscript is, it could not be used for the present edition of Book II."

In his letters of the late eighties and early nineties Engels repeatedly mentions his intention of proceeding with the preparation of the fourth volume, *Theories of Surplus-Value*, after the publication of Volume III of Capital. He however already speaks far less categorically about eliminating the theoretical passages contained in the manuscript of the *Theories*.

The last mention by Engels of the manuscript *Theories of Surplus-Value* is in his letter to Stephan Bauer dated April 10, 1895. As this letter shows, Engels was still hoping in 1895 that he would succeed in publishing this work of Marx's. But Engels did not manage to prepare the concluding volume of *Capital* for the printer; he died barely four months after this letter was written.

From Engels's statements quoted above it is clear that he attributed great importance to the manuscript *Theories of Surplus-Value*, and regarded it as Volume IV of *Capital*. But it is also evident that in 1884-85 Engels intended to remove from the text of this manuscript "numerous passages covered by Books II and III".

Here the question naturally comes up: what should be our attitude with regard to this proposal or intention of Engels?

Only Engels, the great companion and comrade-in-arms of Marx, and in a certain sense the co-author of *Capital*, could have removed from the manuscript *Theories of Surplus-Value* a whole series of passages. In order that the parts of the manuscript that remained after the elimination of these passages should not appear as disconnected fragments, it would have been necessary to work them over to a considerable extent and to link them together with specially written interpolations. And only Engels had the right to work over Marx's text in such a way.

There is one more reason in favour of keeping in the text of *Theories of Surplus-Value* the "numerous passages" mentioned above. Engels's intention to cut out these passages was only his original intention, formed before he had begun a detailed study of the manuscript *Theories of Surplus-Value*. And we know from Engels's preface to Volume III of *Capital* that, in the course of his actual work on the preparation of Marx's manuscripts for the printer, he sometimes revised his original intentions and plans. Thus, Engels originally wanted to recast Part V of Volume III of *Capital*, as this part of Marx's manuscript was still in unfinished form. Engels says in his preface that he had tried at least three times to make a fundamental recasting of this part, but in the end abandoned this idea and decided to confine himself "to as

orderly an arrangement of available matter as possible, and to making only the most indispensable additions". By analogy with this, it may be presumed that if Engels had actually come to prepare the manuscript *Theories of Surplus-Value* for the press, he would have kept the theoretical digressions contained in it. This presumption is all the more probable because among the digressions are some in which Marx presents very important theoretical analyses, essentially supplementing the exposition, for example, in Volume III of *Capital* — particularly the section on rent.

Lenin had an extremely high regard for the theoretical analyses contained in the manuscript *Theories of Surplus-Value*. He often referred in his writings to *Theories of Surplus-Value*, expressing equally great esteem for both the historico-critical and the purely theoretical content of this work of Marx. He valued particularly highly the sections in which Marx developed his own views on the nature of rent (see V. I. Lenin, *The Agrarian Question and the "Critics of Marx"*, Eng. ed., Moscow, 1954, pp. 29 and 158; *The Agrarian Programme of Social-Democracy in the First Russian Revolution, 1905-1907*, Eng. ed., Moscow, 1954, pp. 101, 140, 143). Lenin refers to "Marx's remarkable passages in his *Theories of Surplus-Value*, where the revolutionary significance — in the bourgeois-democratic sense — of land nationalisation is explained with particular clarity" (*The Proletarian Revolution and the Renegade Kautsky*, Eng. ed., Moscow, 1952, p. 152; see *The Agrarian Programme of Social-Democracy in the First Russian Revolution, 1905-1907*, Eng. ed., Moscow, 1954, pp. 145, 175-76; *Works*, 4th Russ. ed., Vol. 15, p. 148, and Vol. 16, p. 104, etc.). He cited from *Theories of Surplus-Value* Marx's principal theses on absolute rent, and stated that they confirmed the correctness of his own treatment of this problem made some years before the publication of the *Theories*, in his work *The Agrarian*

Question and the "Critics- of Marx" (see Eng. ed., Moscow, 1954, p. 29).

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Theories of Surplus-Value was first published by Kautsky in 1905-10, and since then has been more than once republished in this Kautsky edition both in German and in other languages; it has been published several times in Russian.

The Kautsky edition has many radical defects. Setting out from the totally false assumption that the manuscript *Theories of Surplus-Value* was devoid of any harmonious plan and was something of a "chaos", Kautsky subjected it to an arbitrary "adaptation", revising the most important principles of revolutionary Marxism.

First of all Kautsky crudely violated the arrangement of the material set forth by Marx in the table of contents which he compiled and in fact adhered to in his work. Kautsky completely ignored this table of contents in preparing his edition, and did not even include it in the book.

The material in Marx's manuscript is arranged consistently and in definite logical sequence. Analysing the attempts of bourgeois economists to resolve the basic problems of political economy, Marx reveals the class limitations that characterised even classical bourgeois political economy, the inability of the bourgeois economists to provide any internally consistent and scientifically grounded solution of the questions they dealt with, and above all of the central problem-the problem of surplus-value. Marx's manuscript reveals that the development of bourgeois political economy was a process full of contradictions; thus in examining the theories of Smith and Ricardo, Marx shows that in certain respects they brought science forward in comparison with

the Physiocrats, but in other respects they repeated the mistakes of the Physiocrats and even took a step backwards. Kautsky distorted this deeply dialectical survey of Marx; he tried to subordinate the whole material of the manuscript to an external, purely chronological sequence, and to present the course of development of bourgeois political economy as a smooth evolutionary process.

Following his chronological plan, Kautsky placed at the very beginning of his edition not the characterisation of the views of James Steuart, which in Marx's manuscript forms the introduction to the chapter on the Physiocrats, but four short fragments (on Petty, D'Avenant, North and Locke, Hume and Massie), taken for the most part from notebooks XX and XXII. Kautsky mechanically transferred these fragments (as also certain others) to the first chapter of the first volume, and by so doing jumbled together the connected exposition of notebooks VI-XVIII (from James Steuart to Richard Jones) with the supplementary essays in notebooks XX-XXIII.

In Marx's manuscript the analysis of Quesnay's theory on the reproduction and circulation of the total capital came after the analysis of Smith's theories; in the Kautsky edition this part of the manuscript precedes the chapter on Smith, and is given in a form rehashed by Kautsky, who arbitrarily removed nine tenths of this section from the main text and put it into an appendix printed in small type and wedged into the main text.

Kautsky also put the theoretical digressions in which Marx sets out his own view of the reproduction of the social capital into a separate appendix printed in small type and inserted in the text of the book. Kautsky tore them out from various places in the manuscript, grossly violating the inner connection between the historico-critical and the theoretical studies of Marx.

Kautsky was also responsible for obvious departures from the arrangement of the material given in Marx's manuscript, in the second volume of his edition. Marx began this part of the manuscript with a critique of Rodbertus's theory of rent; the Kautsky edition starts with the chapter "Surplus-Value and Profit", dealing with Ricardo, and the critique of Rodbertus's theory comes only after this chapter. In Marx's manuscript the analysis of Ricardo's views on surplus-value and on the process of the changing rate of profit is placed after the critique of the Ricardian theory of rent; in the Kautsky edition it is in the chapter "Surplus-Value and Profit" which begins the volume. Here also Kautsky, by departing from the sequence of the material in the manuscript, obscures important points of principle in Marx's work, in particular, Marx's idea that Ricardo's errors in the theory of rent had left their stamp on the Ricardian doctrine of profit.

As a result of all these arbitrary rearrangements which he made in the manuscript, problems that are organically connected are torn apart in the Kautsky edition. For example, the chapter "Ricardo's Theory of Profit" in Marx's manuscript contains a critique of Ricardo's views on the process of the formation of the average rate of profit and of his views on the causes of its fall. In the Kautsky edition these two parts of one and the same chapter of Marx's manuscript are separated from each other by 350 pages of the text.

All the material in the manuscript is given by Kautsky in a form which obscures the questions of the class struggle, and the deep connection between economic theories and the social and political environment in which they are developed. Thus for example, in the second volume of the Kautsky edition there is a section headed by Kautsky "Anderson and Malthus. Roscher". In the corresponding passage of the manuscript Marx shows that Anderson's views on rent were distorted by Malthus

in the interest of the most reactionary elements of the ruling classes, while Ricardo's conclusions were directed against the landowning aristocracy. After this, Marx dwells on the vulgar economist Roscher, who crudely distorted the whole history of the question. The clear, politically sharp content of this section of the manuscript, which is a model of profound class analysis of the history of political economy, has been unsystematically lumped together by Kautsky under one general and quite colourless title which is a mere enumeration of names.

This type of editorial titling is extremely characteristic of the Kautsky edition. Almost all the titles which Kautsky furnished for the chapters and paragraphs of his edition bear an objectivist, neutral character. This applies, for example, to titles such as: "Adam Smith and the Concept of Productive Labour", "Ricardo's Conception of Value", "Ricardo's Idea of Surplus-Value", "The Rate of Profit", "Value and Surplus-Value", "Variable Capital and Accumulation", and so on. Kautsky's titles have nowhere set off Smith's two different definitions of value, the twofold nature of Smith's views on the relations between value and revenue, Ricardo's inability to connect the law of the average rate of profit with the law of value, etc., which Marx had brought to light. In his titling Kautsky also glosses over the vulgar element in the views of Smith and Ricardo: and he supplies the chapters on Ramsay, Cherbuliez and Richard Jones with titles calculated to give the reader the entirely false impression that some elements of Marxist political economy were to be found already in the works of these bourgeois economists.

Kautsky's distortions and revisions of Marx's text are shown in their crudest and most overt form in the numerous cuts that he made. Kautsky omitted, in his edition, not only individual words and sentences, but also whole passages, some of which fill three, four or more pages of the manuscript, in Marx's compact writing. Among the parts of the manuscript Kautsky omitted there

is even a whole chapter, which appears in Marx's table of contents under the title: "Bray as Adversary of the Economists". Kautsky also omitted, among many others, the passage in the manuscript in which Marx speaks of the economic preconditions of the absolute impoverishment of the working class under capitalism. Having started on the path of falsification, the revisionist Kautsky, who denied the absolute impoverishment of the working class, did not hesitate to conceal from the reader Marx's arguments on this important question, of principle.

In "editing" Marx's manuscript, Kautsky tried to tone down the annihilating criticism to which Marx subjected the views of the bourgeois economists, and to substitute "decorous" sleek expressions for the angry, passionate, caustic language used by Marx in his merciless criticism of the apologists of the bourgeoisie. Thus Kautsky in all passages removed from Marx's characterisation of bourgeois economists such epithets as "asses", "dogs", "canaille".

Finally, characteristic of the entire Kautsky edition are the numerous and sometimes extremely crude mistakes in deciphering the text of the manuscript, inaccurate and in a number of cases obviously incorrect translations of English and French expressions occurring in the text, arbitrary editorial interpolations inconsistent with the movement of Marx's thought, the absolutely impermissible substitution of some of Marx's terms by others, and so on.

The complete disregard of Marx's table of contents, the arbitrary and incorrect arrangement of the manuscript material, the objectivist titles which avoid the class essence of the conceptions criticised by Marx, the obscuring of the fundamental antithesis between Marx's economic teaching and the whole bourgeois political economy, the removal of a number of passages containing

important theses of revolutionary Marxism, from which Kautsky more and more departed — all this suggests that what we have here is not only gross violations of the elementary requirements of a scientific edition, but also the direct falsification of Marxism.

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The present edition contains in full both the main text of *Theories of Surplus-Value* — to which the table of contents compiled by Marx refers and which gives a connected exposition of the "history of the theory" from James Steuart to Richard Jones — and the digressions supplementing this main text which are in notebooks V, XV, XX, XXI, XXII and XXIII. These supplementary sections are put in the form of appendices, in order not to interfere with the sequence of the exposition given in the main text.

The length of all this material (about 110 printed sheets) makes it necessary to divide the book into three parts. The appendices are distributed among these three parts in such a way that each part concludes with those supplementary digressions and notes which directly refer to its contents.

The arrangement of the main text follows exactly the table of contents which Marx compiled. Only those few changes which Marx himself indicated have been made in the order of the text in some of the manuscript books. Thus, for example, in notebook VII Marx, in dealing with Smith's conception of productive labour, and referring in this connection to the vulgarisation of Smith's views by Germain Garnier, makes a long digression about John Stuart Mill. This begins with these words: "Before dealing with Garnier, something incidentally here [by way of a digression] on the above-mentioned *Mill junior*. What is to be said here really belongs later in this section, where the Ricardian theory of surplus-value is to be discussed;

therefore not here, where we are still concerned with Adam Smith." In accordance with this indication and with the table of contents of notebook XIV, later compiled by Marx, the excursus on John Stuart Mill has been placed in the present edition in the third part of *Theories*, in the chapter on the decline of the Ricardian school, where Marx allocates a special section to John Stuart Mill. Another example of transposition: notebook X contains a short chapter on the English socialist Bray (pp. 441-44 of the manuscript); in the later compiled plan of the contents of the last chapters of *Theories of Surplus-Value* (on the cover of notebook XIV) Marx however assigned the section "Bray as Adversary of the Economists" to the chapter "Adversaries of the Economists"; following this indication by Marx, in the present edition pages 441-44 have also been transferred to the third part of the work.

The division of the text into chapters follows Marx's directions in the table of contents he compiled and in various places in the manuscript itself. For the titles given to the separate parts of the manuscript, use has been made of (1) the titles from Marx's table of contents; (2) the titles from Marx's draft plans for Parts I and III of Capital, which have reference to certain sections of the manuscript of Theories; (3) the few headings in the text of Theories itself. All these taken together, however, form only a comparatively small part of the titles that had to be provided for the sections and subsections of the manuscript. The rest of the titles -the majority -have been drawn up by the editors on the basis of the text of corresponding parts of the manuscript, with the fullest possible use of Marx's own terminology and formulations. The titles given by the editors — as in general all that the editors are responsible for — have been put in square brackets, so that they can be easily distinguished from titles given by Marx.

Obvious slips of the pen occurring in the manuscript have been corrected as a rule without being expressly mentioned in footnotes. A few obvious slips of the pen in the text of notebooks VI and X were corrected by Engels's own hand, in the manuscript itself. Specific terms used by Marx in the 1861-63 manuscript are explained in notes. The titles of books cited and mentioned by Marx are given in the text of this edition in the language of the original.

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In spite of the fact that *Theories of Surplus-Value* was left in a form that had not prepared for the press, this work gives a connected and complete picture of that "History of the Theory" which Marx intended to form the final, fourth volume of *Capital*. In it Marx sets forth the whole course of evolution of bourgeois political economy from the time of its birth up to its "grave", as vulgar political economy was called by Marx.

As already mentioned, in the present edition all the material of *Theories of Surplus-Value* and the supplementary sections relating to it have been divided into three parts. The content of the manuscript itself determines the way in which the material is divided.

The first part consists of seven chapters of the main text (notebooks VI-X) and thirteen supplementary sections. This part is devoted in the main to a critical analysis of the views of the Physiocrats (chapters II and VI) and of Adam Smith (chapters III and IV). Chapter I ("Sir James Steuart"), characterising Steuart's hopeless attempt to give a rational form to the monetary and mercantile system, serves as an introduction to the analysis of Physiocratic theory. By contrasting the Physiocrats with Steuart Marx was able to bring out more sharply the role of the Physiocrats and their significance in the development of political economy — namely, that they

transferred the origin of surplus-value from the sphere of circulation to the sphere of production.

Analysing the economic views of the Physiocrats, Marx shows the contradictions in their system, the dual nature of their conception of surplus-value, which is presented in their works sometimes as a pure gift of nature, at other times as the result of the special productivity of agricultural labour appropriated by the owner of the land. It is this that gives the key to an understanding of the further evolution of the Physiocratic school.

Marx shows the battle of ideas within this school, and traces the vulgarisation of Physiocratic theory by its epigones. His analysis of the ideological struggle within the Physiocratic school is inseparably linked with his characterisation of the class essence of the Physiocrats' views.

Marx also reveals the contradictions and inconsistencies in the treatment of the most important economic categories in Adam Smith's theory (Chapter III). Subjecting Smith's theory to a critical analysis, Marx brings out the vulgar element it contains. This contrast between the scientific and the vulgar element in Smith's doctrine provides the necessary basis for understanding the further evolution of bourgeois political economy, which, as Marx shows, took on a more and more vulgar character as the class struggle between the proletariat and the bourgeoisie grew sharper.

In Chapter III, in connection with the criticism of Smith's dogma which resolves the entire value of the social product into revenue, Marx gives a theoretical analysis of the reproduction of the total social capital, and deals particularly fully with the problem of the replacement of constant capital. In addition to its general theoretical significance, this excursus (the longest of the theoretical digressions in the first part) is of great

importance also because it shows how Marx arrived at his theory of the two departments of social production.

Chapter IV deals with Smith's views on productive and unproductive labour. Along with this it gives an analysis of the struggle that flared up in connection with Smith's views, and describes the vulgarisation of bourgeois political economy in handling the question of productive and unproductive labour. Marx traces the process of vulgarisation not only of Smith's views on this question, but also of the views of the Physiocrats. Many of the vulgar conceptions here criticised by Marx are widely held also in contemporary bourgeois political economy, which has degenerated into open apologetics of capitalism.

Chapter VI ("Quesnay's Tableau économique") takes us back to the Physiocrats. There was good reason for this arrangement of the material. Though Adam Smith's theory, as Marx's comprehensive analysis shows, represented as a whole a considerable step forward in the development of bourgeois political economy, in his analysis of the process of reproduction Smith takes a step backwards in comparison with the Physiocrats. Marx's arrangement of the material indicates the zigzag course of development of classical bourgeois political economy, its forward movement in the treatment of particular questions and its backward movement in the treatment of others.

Two short chapters on Necker and Linguet give an analysis of two early attempts to portray the antagonistic nature of the two classes under capitalism.

The appendices to Part I contain the historico-critical essays and notes from notebooks V, XX, XXI, XXII, XXIII and the cover of XIII. Appendices 1-7 contain characterisations of the economic views of Hobbes, Petty, Locke, North, Berkeley, Hume and Massie. In these views Marx discerns the rudiments of the labour theory of value,

and of the doctrine of capital and of interest. Appendices 8-10 give supplementary material on the Physiocratic school. Appendix 11 contains a critique of the apologetic conception of the productiveness of all trades — a conception that is widespread in contemporary bourgeois political economy. Appendix 12 is a lengthy theoretical essay from notebook XXI of the manuscript, in which Marx elaborates his own view — which is the only scientific view — of the problems of productive and unproductive labour. This theoretical essay as it were draws the general conclusions from the historico-critical analysis of the problem of productive labour given by Marx in the lengthy Chapter IV of the main text. Finally, we print in Appendix 13 the draft plans for Parts I and III of *Capital*. They are very important for an understanding of the history of how *Capital* took shape; moreover, they contain formulations of certain themes which relate to its historico-critical part.

In the second part of *Theories of Surplus-Value* (chapters VIII-XVIII, notebooks X-XIII) the critical analysis of Ricardo's doctrine holds the central place. Along with this there is an analysis of Adam Smith's theory of cost-price and of rent. In his analysis of Ricardo's system, Marx shows that it contains a number of faulty premises which owed their origin to Smith. In this connection, Marx subjects the corresponding views of Smith to special scrutiny.

In conformity with the arrangement of the material in Marx's manuscript, the second part begins with the lengthy "excursus" dealing with Rodbertus's theory of rent (Chapter VIII). The fact that the concept of absolute rent was altogether missing in Ricardo's theory of rent constituted in Marx's view its principal defect. Marx therefore prefaces his analysis of Ricardo's theory with an extensive examination of Rodbertus's attempts to develop this concept. In this connection, Marx substantiates his own theory of absolute rent.

The second “excursus” (Chapter IX) is a compressed historical sketch of the development of views on differential rent. Marx here lays bare the class roots of the various theories on this question. In addition, Marx gives in this chapter a profound analysis of the basic premises of the theory of rent, and reveals the close connection between the theory of rent and the theory of value, showing how errors in the theory of value lead to erroneous conclusions in the theory of rent.

These two “digressions” in this way prepare the ground for the thorough-going analysis of Ricardo’s theory contained in chapters X-XVIII.

While stressing Ricardo’s great theoretical merits, Marx at the same time underlines the defects of his method in principle — Ricardo’s inability to link the law of the average rate of profit with the law of value, the presence of vulgar elements in his theory of profit, his confusion of the process of formation of market value with the process of equalisation of the average rate of profit, his confusion of the laws of surplus-value with the laws of profit, and so on. All these defects, as Marx shows, are also evident in Ricardo’s theory of rent. Criticising this theory, Marx develops his own theory of rent, embracing both the theory of absolute rent and the theory of differential rent.

Chapters XV, XVI and XVII contain a critical analysis of Ricardo’s views on surplus-value, profit and accumulation. In Chapter XVII Marx counterposes the genuinely scientific understanding of crises as a necessary outcome of the internal contradictions of capitalism to Ricardo’s mistaken views regarding the nature of crises. Chapter XVIII is a critique of Ricardo’s views on the question of gross and net revenue, and also of his views on the economic consequences of the introduction of machinery.

Thus the critical analysis of Ricardo's doctrine which Marx makes in the second part of *Theories of Surplus-Value* embraces all aspects of Ricardo's system, showing his scientific merits and at the same time bringing out the theoretical errors and class limitations of his views.

Marx's short supplementary notes, written on the covers of notebooks XI and XIII, are given as appendices to Part II. They contain brief observations by Marx on particular historical questions connected with the theory of capital and of rent.

Part III of *Theories of Surplus-Value* (chapters XIX-XXIV, notebooks XIII-XV and XVIII) deals in the main with the dissolution of the Ricardian school and the economic views of the English socialists whom Marx spoke of as "the proletarian opposition based on Ricardo".

In Parts I and II Marx demonstrated how bourgeois political economy was vulgarised in relation only to particular questions; in Part III, however, he shows how, with the sharpening of the class struggle between the bourgeoisie and the proletariat, the process of vulgarisation lays hold of the very foundations of political economy, its initial principles, its essential categories.

In the lengthy chapter on Malthus (Chapter XIX) Marx exposes the absurdity and profoundly reactionary character of the Malthusian defence of extravagance by the unproductive classes which he glorifies as a means of avoiding overproduction. In this chapter, as in other places in his work, Marx brands Malthus as "a shameless sycophant of the ruling classes", who falsified science in the interests of the landed aristocracy and the most reactionary elements of the bourgeoisie.

Marx shows that Ricardo's successors also took a step backward on the basic questions of political economy;

they in fact more and more openly renounced all the valuable elements in Ricardo's system (Chapter XX). He points to the denial by Torrens that the labour theory of value is applicable to capitalist economy, and shows that James Mill returned to the vulgar conception of supply and demand in the question of wages. Marx exposes the return to this conception also in the case of Wakefield and Stirling.

This process of dissolution of the Ricardian school reaches its completion with McCulloch, whose cynical apologetics for the capitalist mode of production were most closely linked with "unscrupulous eclecticism" in the sphere of theory. Marx shows that the distortion of the concept of labour by McCulloch, who extended it to natural processes, meant in fact the complete abandonment of the labour theory of value.

Marx detects deeply reactionary features also in the polemical essays against Ricardo written by English bourgeois economists of the 1820s, in their denial of the objective character of the laws of political economy, their confusion of value with price, and their abandonment of even the category of value.

In Chapter XXI Marx analyses the economic views put forward by the "proletarian opposition based on Ricardo" (Havenstone, Hodgskin and others). Their merit, Marx points out, was that they strongly emphasised the capitalist exploitation of the workers, their view that profit, rent and interest were the surplus-labour of the workers, their polemics against the apologetic theory that capital was productive and against the conception that the capitalists accumulated means of subsistence for the workers.

Along with this, Marx traced the theoretical errors in the economic views of the socialist adherents of Ricardo: their underestimation of the significance of materialised,

past labour; their incorrect idea of the process of reproduction in capitalist society; their lack of comprehension of the inner connection between the fetishisation of capital and the real relations which of necessity give birth to this fetishisation, and so on. Marx shows that these socialist adherents of Ricardo were unable to pass beyond the bourgeois premises of Ricardo's theory, to reconstruct its very foundations.

Chapters XXII, XXIII and XXIV are devoted to a critical analysis of the ideas of Ramsay, Cherbuliez and Richard Jones. Marx notes that they attempt to differentiate between constant and variable capital and that in this connection they conjecture on the significance of the organic composition of capital. In his critical analysis of their views Marx shows how the limits of their bourgeois horizon made it impossible for these economists to develop the germs of correct ideas which in their minds were combined with vulgar conceptions of capital and the rate of profit.

The main text of *Theories of Surplus-Value* ends with the analysis of the views of Jones. In the plan or table of contents written by Marx on the cover of notebook XIV, after the chapter "Richard Jones" come the words "(End of this Part 5)" (see p. 38 of the present volume).

There is a long appendix to Part III of *Theories of Surplus-Value*, entitled "Revenue and Its Sources. Vulgar Political Economy". The main theme of this section, which fills the second half of notebook XV, is the problem of revenue and its sources. But along with this Marx also lays bare the class and gnosiological roots of vulgar political economy, which clings to the outward semblance of the fetishised forms of revenue and its sources, and builds on them its apologetic "theories". Marx brings out the essential difference between classical and vulgar political economy. In passing, Marx criticises also the economic views of representatives of vulgar socialism.

This section, therefore, although written by Marx not so much from the historical as from the theoretical point of view, bears a direct relation to the historico-critical studies in Part III of *Theories of Surplus-Value*, and so must be included in it as an appendix to Part III. Later on Marx wrote that the last, historico-critical volume of *Capital* would contain a special and comprehensive chapter on the representatives of vulgar political economy (see Marx's letter to Kugelmann, July 11, 1868).

* * *

Marx formulated the essential conclusions from his deep and comprehensive analysis of the history of bourgeois political economy, in concise and generalised form, in the Afterward to the second edition of Volume I of *Capital* (January 1873): In so far as it is bourgeois "Political Economy can remain a science only so long as the class struggle is latent or manifests itself only in isolated phenomena." He wrote of classical bourgeois political economy in England that it "belongs to the period in which the class struggle was as yet undeveloped". With the development of the class struggle between the bourgeoisie and the proletariat the character of bourgeois political economy undergoes a sharp change. From the time of the conquest of political power by the bourgeoisie in France and England "the class struggle, practically as well as theoretically, took on more and more outspoken and threatening forms. It sounded the knell of scientific bourgeois economy... In place of disinterested inquiries, there were hired prize-fighters; in place of genuine scientific research, the bad conscience and the evil intent of apologetic".

Against the background of this general degradation of bourgeois political economy the figures of a few economists stood out, who tried, as Marx says, "to harmonise the political economy of capital with the claims, no longer to be ignored, of the proletariat". Such

an attempt to “reconcile the irreconcilable” was made by John Stuart Mill. Marx notes the complete hopelessness of such attempts, which remained wholly within the bounds of bourgeois political economy and bore witness to its decay and bankruptcy. In this connection Marx strongly emphasises the outstanding significance of “the great Russian scholar and critic” N. G. Chernyshevsky, who in his *Outlines of Political Economy According to Mill*, as Marx says, “has thrown the light of a master mind” on the bankruptcy of bourgeois political economy.

Chernyshevsky wrote his critical analysis of John Stuart Mill’s book in 1860-61, that is, almost at the same time as Marx was at work on his *Theories*.

Through all of Chernyshevsky’s writings runs the idea of the need to create a new political economy, which, as opposed to former political economy which he characterised as “the theory of the capitalists”, he called quite explicitly “the theory of the working people”.

To create a new, genuinely scientific political economy, involving a radical revolutionary upheaval in economic science, was possible only for the leader and teacher of the revolutionary proletariat — Karl Marx. And only Marx, constructing the magnificent edifice of *Capital* on radically new principles, could build up that scientific history of all bourgeois political economy which he presented in the historico-critical part of his work of genius — *Theories of Surplus-Value*.

* * *

In the imperialist epoch all the contradictions of the capitalist system reach their greatest intensity, and the class struggle grows extremely sharp. This is reflected in the most acute form also in the economic fabrications of the latest apologists of capitalism. In their efforts to defend the decaying social system of the exploiters which

is doomed to destruction, contemporary bourgeois economists and the pseudo-socialists who echo their views cling fast to the most reactionary of the vulgar conceptions which were put forward by their predecessors in the pre-monopoly epoch of capitalism and were subjected to annihilating criticism in Marx's *Theories of Surplus-Value*.

Thus in contemporary bourgeois literature the old hackneyed thesis, that every increase in wages leads inevitably to higher prices, still runs its course. This thesis, the vulgar and antiscientific nature of which Marx emphasised again and again in *Theories of Surplus-Value*, is now used to justify the bourgeoisie's attack on the living standards of the working class.

Contemporary bourgeois economists (as for example Keynes, who made a sensation with his "anti-crisis" projects, and his followers) shamelessly repeat the reactionary idea of Malthus, exposed by Marx, of the salutary role of the unlimited growth of unproductive consumption as a means to fight economic crises. Praise for wasteful unproductive consumption in the conditions of today sounds particularly ominous: it brings to the fore that form of unproductive consumption which is linked with the preparation of a new world war and which consumes an ever-growing share of the budgets of capitalist states. Present-day bourgeois literature, especially American, preaches in every way the "theory", that only increased armaments orders, and in the final account war itself, can avert economic crises of overproduction.

Malthus's population theory — routed by Marx in *Theories of Surplus-Value* and in other works — is also used to justify imperialist wars. Contemporary American and British Malthusians, (for example, Vogt in the U.S.A. and Huxley in England) preach the cannibal "doctrine" that only a war of annihilation can establish the

appropriate “balance” between the number of people on the earth and the means of subsistence at their disposal. They declare that a high death-rate is a salutary factor for civilisation, and hold up as an example to all nations those countries where the death-rate reaches particularly high proportions.

In fashioning their reactionary anti-scientific conceptions bourgeois economists of today rely on the outworn theories, long since exposed by Marxism, of the old vulgar political economy fabricated in the first half of the nineteenth century. They also reject the labour theory of value, and strive to replace it with vulgar “theories” of utility, demand and supply, costs of production, and so on. They also take their stand on the famous “trinitarian formula”, according to which rent is determined by nature, interest by capital, and wages by labour. Like all preachers of a “general harmony” in capitalist society who preceded them, they too deny the inevitability of capitalist crises, which are the necessary outcome of the internal contradictions of capitalism.

In *Theories of Surplus-Value* Marx subjected all these apologist subterfuges of vulgar political economy to devastating criticism. This great work of Marx has for that reason outstanding importance not only for understanding the history of bourgeois political economy, but also for the struggle against the present-day representatives of bourgeois reaction, who try to revive long-routed pseudo-scientific conceptions in order to use them in their dirty trade of justifying and defending the inhuman system of imperialism, that last stage of the capitalist system which has outlived its time.

Institute of Marxism-Leninism, C.C. C.P.S.U.

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[Chapter I] Sir James Steuart

[Distinction Between "Profit Upon Alienation" and the Positive Increase of Wealth]

Before the Physiocrats, surplus-value — that is, profit in the form of profit — was explained purely from *exchange*, the sale of the commodity above its value. Sir James Steuart on the whole did not get beyond this restricted view; he must rather be regarded as the man who reproduced it in scientific form. I say "in scientific form". For Steuart does not share the illusion that the surplus-value which accrues to the individual capitalist from selling the commodity above its value is a creation of new wealth. He distinguishes therefore between *positive* profit and *relative* profit.

> "*Positive profit*, implies no loss to any body; it results from an *augmentation* of labour, industry, or ingenuity, and has the effect of swelling or augmenting the *public good* ... *Relative profit*, is what implies a loss to some body; it marks a vibration of the balance of wealth between parties, but implies *no addition to the general stock* ... The *compound* is easily understood; it is that species of profit ..., which is partly *relative*, and partly *positive* ... both kinds may subsist inseparably in the same transaction."

(*Principles of Political Economy*, Vol. I, *The Works of Sir James Steuart*, etc., ed. by General Sir James Steuart, his son, etc., in 6 vols., London, 1805, pp. 275-76.)

Positive profit arises from "*augmentation* of labour, industry and ingenuity". *How* it arises from this Steuart makes no attempt to explain. The further statement that the effect of this profit is to augment and swell "*the public good*" seems to indicate that Steuart means by it nothing but the greater mass of use-values produced in consequence of the development of the productive powers of labour, and that he thinks of this positive profit as quite distinct from capitalists' profit—which always presupposes an increase of exchange-value. This interpretation is fully confirmed by his further exposition. He says to wit:

> "In the *price* of goods, I consider two things as really existing, and *quite different* from [...] another; [...] the *real value* of the commodity, and the *profit upon alienation"* (l.c., p. 244).

The price of goods therefore comprises two elements that are completely different from each other; firstly their *real value*, secondly, the *profit upon alienation*, the profit realised through their transfer to another person, their sale.

||221| This *profit upon alienation* therefore arises from the price of the goods being greater than their real value, or from the goods being sold *above* their value. Gain on the one side therefore always involves loss on the other. No addition to the general stock is created. Profit, that is, surplus-value, is relative and resolves itself into "a vibration of the balance of wealth between parties". Steuart himself rejects the idea that surplus-value can be explained in this way. His theory of "vibration of the balance of wealth between parties", however little it touches the nature and origin of surplus-value itself, remains important in considering the

distribution of surplus-value among different classes and among different categories such as profit, interest and rent.

That Stuart limits all profit of the individual capitalist to this "relative profit", profit upon alienation, is shown by the following:

> The "real value", he says, is determined by the "quantity" of labour, which "upon an average, a workman of the country in general may perform ... in a day, a week, a month". Secondly: "the value of the workman's subsistence and necessary expense, both for supplying his personal wants, and ... the instruments belonging to his profession, which must [...] taken upon [...] average as above ..." Thirdly: "... the values of the materials ..." (l.c., pp. 244-45). "These three articles being known, the price of manufacture is determined. It cannot be lower than the amount of all the three, that is, than the *real value; whatever is higher, is the manufacturer's profit*. This will [...] be in proportion to *demand*, and therefore will fluctuate according to circumstances" (l.c., p. 245). "Hence appears the necessity of a great demand, in order to promote flourishing manufactures ... the industrious [...] regulate their living and expense according to their certain profit" (l.c., p. 246).

From this it is clear that: The profit of the "manufacturer", of the individual capitalist, is always relative profit, always profit upon alienation, always derived from the excess of the price of the commodity over its real value, *from its sale above its value*. If therefore all commodities were sold at their *value*, no profit would exist.

Steuart wrote a special chapter on this; he examines in detail:

> "How profits consolidate into prime cost" (l.c., Vol. III, p. 11sq.).

Steuart on the one hand rejects the conception of the Monetary and Mercantile systems, according to which the sale of commodities above their value, and the profit resulting therefrom, creates surplus-value, a positive increase of wealth.[11] On the other hand he holds to their view that the profit of the individual capital is nothing but this excess of the price over the ||222| value, the profit upon alienation. This however according to him is only *relative*, the gain on the one side being compensated by the loss on the other, and consequently this movement is nothing more than "a vibration of the balance of wealth between parties".

In this respect Steuart is therefore the *rational* expression of the Monetary and Mercantile systems.

His service to the theory of capital is that he shows how the process of separation takes place between the conditions of production, as the property of a definite class, and labour-power. He gives a great deal of attention to this *genesis* of capital — without as yet seeing it directly as the genesis of capital, although he sees it as a condition for large-scale industry. He examines the process particularly in agriculture; and he rightly considers that manufacturing industry proper only came into being through this process of separation in agriculture. In Adam Smith's writings this process of separation is assumed to be already completed.

(Steuart's book [appeared in] 1767 in London, Turgot's [*Réflexions sur la formation et la distribution des richesses* was written in] 1766, Adam Smith's [*An Inquiry into the Nature and Causes of the Wealth of Nations*] 1775.)

Author's Footnotes

1 Even the Monetary system, however, thinks of this profit as arising not within a country, but only in exchange with other countries In this it remains stuck in the Mercantile system [which assumed] that this value takes the form of money (gold and silver) and the surplus-value is therefore expressed in the balance of trade, which is settled with money.

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[Chapter II] The Physiocrats

[1. Transfer of the Inquiry into the Origin of Surplus-Value from the Sphere of Circulation into the Sphere of Direct Production. Conception of Rent as the Sole Form of Surplus-Value]

The analysis of *capital*, within the bourgeois horizon, is essentially the work of the Physiocrats. It is this service that makes them the true fathers of modern political economy. In the first place, the analysis of the various *material components* in which capital exists and into which it resolves itself in the course of the labour-process. It is not a reproach to the Physiocrats that, like all their successors, they thought of these material forms of existence — such as tools, raw materials, etc. — as capital, in isolation from the social conditions in which they appear in capitalist production; in a word, in the form in which they are elements of the labour-process in general, independently of its social form — and thereby made of the capitalist form of production an eternal, natural form of production. For them the bourgeois forms of production necessarily appeared as natural forms. It was their great merit that they conceived these forms as physiological forms of society: as forms arising from the natural necessity of production itself, forms that are independent of anyone's will or of politics, etc. They are material laws, the error is only that the material law of a definite historical social stage is conceived as an abstract law governing equally all forms of society.

In addition to this analysis of the material elements of which capital consists within the labour-process, the Physiocrats established the forms which capital assumes in circulation (fixed capital, circulating capital, even though as yet they give them other names), and in general the connection between the process of circulation and the reproduction process of capital. We shall come back to this in the chapter on circulation.

In these two principal points Adam Smith inherited the legacy of the Physiocrats. His service — in this connection — is limited to fixing the abstract categories, to the greater consistency of the baptismal names which he gave to the distinctions made by the Physiocrats in their analysis.

||223| As we have seen, the basis for the development of capitalist production is, in general, that *labour-power*, as the *commodity* belonging to the workers, confronts the conditions of labour as commodities maintained in the form of capital and existing independently of the workers. The determination of the *value* of labour-power, as a commodity, is of vital importance. This value is equal to the labour-time required to produce the means of subsistence necessary for the reproduction of labour-power, or to the price of the means of subsistence necessary for the existence of the worker as a worker. It is only on this basis that the difference arises between the *value* of labour-power and the *value which that* labour-power *creates* — a difference which exists with no other commodity, since there is no other commodity whose use-value, and therefore also the use of it, can increase its *exchange-value* or the exchange-values resulting from it.

Therefore the foundation of modern political economy, whose business is the analysis of capitalist production, is the conception of the *value of labour-power* as something fixed, as a given magnitude — as indeed it is in practice in each particular case. The *minimum of wages* therefore correctly forms the pivotal point of Physiocratic theory. They were able to establish this although they had not yet recognised the nature of value itself, because this *value of labour-power* is manifested in the price of the necessary means of subsistence, hence in a sum of definite use-values. Consequently, without being in any way clear as to the nature of value, they could conceive the value of labour-power, so far as it was necessary to their inquiry, as a definite magnitude. If moreover they made the mistake of conceiving this *minimum* as an unchangeable magnitude — which in their view is determined entirely by nature and not by the stage of historical development, which is itself a magnitude subject to fluctuations — this in no way affects

the abstract correctness of their conclusions, since the difference between the value of labour-power and the value it creates does not at all depend on whether the value is assumed to be great or small.

The Physiocrats transferred the inquiry into the origin of surplus-value from the sphere of circulation into the sphere of direct production, and thereby laid the foundation for the analysis of capitalist production.

Quite correctly they lay down the fundamental principle that only that labour is *productive* which creates a *surplus-value*, in whose product therefore a higher value is contained than the sum of the values consumed during the production of this product. Since the value of raw and other materials is given, while the value of the labour-power is equal to the minimum of wages, this surplus-value can clearly only consist in the excess of labour which the labourer returns to the capitalist over and above the quantity of labour that he receives in his wage. But it does not appear in this form with the Physiocrats, because they have not yet reduced value in general to its simple substance — the quantity of labour or labour-time.

||224| Their method of exposition is, of course, necessarily governed by their general view of the nature of value, which to them is not a definite social mode of existence of human activity (labour), but consists of material things — land, nature, and the various modifications of these material things.

The difference between the *value* of labour-power and *the value created* by it — that is, the surplus-value which the purchase of labour-power secures for the user of labour-power — appears most palpably, most incontrovertibly, of all *branches of production*, in *agriculture*, the primary branch of production. The sum total of the means of subsistence which the labourer

consumes from one year to another, or the mass of material substance which he consumes, is smaller than the sum total of the means of subsistence which he produces. In manufacture the workman is not generally seen directly producing either his means of subsistence or the surplus in excess of his means of subsistence. The process is mediated through purchase and sale, through the various acts of circulation, and the analysis of value in general is necessary for it to be understood. In agriculture it shows itself directly in the surplus of use-values produced over use-values consumed by the labourer, and can therefore be grasped without an analysis of value in general, without a clear understanding of the nature of value. Therefore also when value is reduced to use-value, and the latter to material substance in general. Hence for the Physiocrats agricultural labour is the only *productive labour*, because it is the only labour that *produces a surplus-value*, and *rent* is the *only form of surplus-value* which they know. The workman in industry does not increase the material substance; he only alters its form. The material — the mass of material substance — is given to him by agriculture. It is true that he adds value to the substance, not through his labour, but through the costs of production of his labour: through the total means of subsistence which he consumes during his labour, equivalent to the minimum of wages, which he receives from agriculture. Because agricultural labour is conceived as the only productive labour, the form of surplus-value which distinguishes agricultural labour from industrial labour, *rent*, is conceived as the only form of surplus-value.

Profit on capital in the true sense, of which rent itself is only an offshoot, therefore does not exist for the Physiocrats. Profit is seen by them as only a kind of higher wages paid by the landowners, which the capitalists consume as revenue (and which therefore

enters into their costs of production in the same way as the minimum wages of the ordinary workmen); this increases the value of the raw material, because it enters into the consumption costs which the capitalist, [the] industrialist, consumes while he is producing the product, transforming the raw material into a new product.

Surplus-value in the form of *interest on money* — another branch of profit — is consequently declared by one section of the Physiocrats, such as Mirabeau the elder, to be usury and contrary to nature. Turgot on the other hand derives his justification of it from the fact that the money capitalist could buy land, that is, rent, and that therefore his money capital must bring him in as much surplus-value as he would receive if he converted it into landed property. This means therefore that interest too is not newly created value, not surplus-value; it only explains why a part of the surplus-value gained by the landowners finds its way to the money capitalists in the form of interest, just as it is explained on other grounds ||225| why a part of this surplus-value finds its way to the industrial capitalist in the form of profit. Because *agricultural labour* is the only productive labour, the only labour that creates surplus-value, the *form of surplus-value* which distinguishes agricultural labour from all other branches of labour, *rent*, is the *general form of surplus-value*. Industrial profit and interest are merely different categories into which rent is divided and, in certain portions, passes from the hands of the landowners into the hands of other classes. This is the direct opposite to the view held by later economists beginning with Adam Smith, because they rightly consider *industrial profit* to be the *form* in which surplus-value is *originally* appropriated by capital, hence as the original general form of surplus-value — they present interest and rent as mere offshoots of industrial profit,

which is distributed by the industrial capitalists to various classes, who are co-owners of surplus-value.

In addition to the reason already stated — that agricultural labour is the labour in which the creation of surplus-value appears in material and tangible form, and apart from the process of circulation — there were a number of other considerations which explain the standpoint of the Physiocrats.

First, because in agriculture rent appears as a third element, as a form of surplus-value which is not found in industry or merely has a transient existence. It was surplus-value over and above surplus-value (profit), and so the most palpable and most conspicuous form of surplus-value, surplus-value raised to the second power.

> "By means of agriculture," as *Karl Arnd*, the home-bred economist, says in *Die naturgemässe Volkswirtschaft, etc.* (Hanau, 1845, pp. 461-62), "a value is created — in the rent of land — which is not to be met with in industry and trade; a value which remains over when the labour and capital employed have been completely replaced."

Secondly: leaving foreign trade out of account — as the Physiocrats rightly did and had to do in an abstract study of bourgeois society — it is clear that the number of workmen engaged in manufacture, etc., and completely detached from agriculture — the "free hands", as Steuart calls them — is determined by the mass of agricultural products which the farm labourers produce in excess of their own consumption.

> "It is obvious, that the relative numbers of those persons who can be maintained without agricultural labour, must he measured wholly by the productive powers of the cultivators" (Richard Jones, *On the Distribution of Wealth*, London, 1831, pp. 159-60).

As agricultural labour thus forms the natural basis (on this, see an earlier notebook) not only for surplus-labour in its own sphere, but also for the independent existence of all other branches of labour, and therefore also for the surplus-value created in them, it is clear that it was bound to be considered the creator of surplus-value, so long as the substance of value was regarded as definite, concrete labour, and not abstract labour with its measure, labour-time.

||226| *Thirdly*. All surplus-value, not only relative but absolute, depends on a given productivity of labour. If the productivity of labour had reached only such a stage of development that a man's labour-time no more than sufficed to keep him alive, to produce and reproduce his own means of subsistence, then there would be no surplus-labour and no surplus-value, and there would be no difference at all between the value of labour-power and the value which it creates. The possibility of surplus-labour and of surplus-value therefore arises from a given productivity of labour, a productivity which enables labour-power to create more than its own value, to produce more than the needs dictated by its life process. And indeed this productivity, this level of productivity which is presupposed as the starting-point, must first — as we saw in the *second* point above — make its appearance in agricultural labour. It appears therefore as *a gift of nature, a productive power of nature*. Here, in agriculture, from the very beginning there is a large measure of co-operation of the forces of nature — the increase of human labour-power through the use and exploitation of the forces of nature working automatically. This utilisation of the forces of nature on a large scale appears in manufacture only with the development of large-scale industry. A definite stage in the development of agriculture, whether in the country concerned or in other countries, forms the basis for the development of capital. Up to this point absolute surplus-

value coincides with relative. (*Buchanan* — a great adversary of the Physiocrats — makes this point even against Adam Smith, when he tries to show that agricultural development preceded the emergence of modern town industry).

Fourthly. Since it is the great and specific contribution of the Physiocrats that they derive value and surplus-value not from circulation but from production, they necessarily begin, in contrast to the Monetary and Mercantile system, with that branch of production which can be thought of in complete separation from and independently of circulation, of exchange; and which presupposes exchange not between man and man but only between man and nature.

[2. Contradictions in the System of the Physiocrats: the Feudal Shell of the System and Its Bourgeois Essence; the Twofold Treatment of Surplus-Value]

Hence the contradictions in the Physiocratic system.

It is in fact the first system which analyses capitalist production, and presents the conditions within which capital is produced, and within which capital produces, as eternal natural laws of production. On the other hand, it has rather the character of a bourgeois reproduction of the feudal system, of the dominion of landed property; and the industrial spheres within which capital first develops independently are presented as "unproductive" branches of labour, mere appendages of agriculture. The

first condition for the development of capital is the separation of landed property from labour — the emergence of land, the primary condition of labour, as an independent force, a force in the hands of a separate class, confronting the free labourer. The Physiocrats therefore present the landowner as the true capitalist, that is, the appropriator of surplus-labour. Feudalism is thus portrayed and explained from the viewpoint of bourgeois production; agriculture is treated as the branch of production in which capitalist production — that is, the production of surplus-value — exclusively appears. While feudalism is thus made bourgeois, bourgeois society is given a feudal semblance.

This semblance deceived Dr. Quesnay's adherents among the nobility, such as the crotchety and patriarchal *Mirabeau* the elder. Among the later representatives ||227| of the Physiocrats, especially *Turgot*, this illusion disappears completely, and the Physiocratic system is presented as the new capitalist society prevailing within the framework of feudal society. This therefore corresponds to bourgeois society in the epoch when the latter breaks its way out of the feudal order. Consequently, the starting-point is in France, in a predominantly agricultural country, and not in England, a predominantly industrial, commercial and seafaring country. In the latter country attention was naturally concentrated on circulation, on the fact that the product acquires value, becomes a commodity only when it becomes the expression of general social labour, money. In so far, therefore, as the question concerned not the form of value, but the amount of value and the increase of value, *profit upon expropriation* — that is, relative profit as Steuart describes it — is what catches the eye. But if the creation of surplus-value in the sphere of production itself is what has to be established, it is necessary first of all to go back to that branch of production in which surplus-value is found

independently of circulation — that is, agriculture. The initiative was therefore taken in a predominantly agricultural country. Ideas related to those of the Physiocrats are to be found in fragmentary form in older writers who preceded them, partly in France herself, for example, Boisguillebert. But it is only with the Physiocrats that those ideas develop into an epoch-making system.

The agricultural labourer, depending on the minimum of wages, the *strict nécessaire*,[1] reproduces more than this *strict nécessaire*, and this more is rent, *surplus-value*, which is appropriated by the owners of the fundamental condition of labour — nature. So what they say is not: the labourer works more than the labour-time required for the reproduction of his labour-power; the value which he creates is therefore greater than the value of his labour-power; or the labour which he gives in return is greater than the quantity of labour which he receives in the form of wages. But what they say is: the amount of use-values which he consumes during the period of production is smaller than the amount of use-values which he creates, and so a surplus of use-values is left over. Were he to work only for the time required to reproduce his own labour-power, there would be nothing over. But the Physiocrats only stuck to the point that the productivity of the earth enables the labourer, in his day's labour, which is assumed to be a fixed quantity, to produce more than he needs to consume in order to continue to exist. The surplus-value appears therefore as a *gift of nature*, through whose co-operation a definite quantity of organic matter — plant seeds, a number of animals — enables labour to transform more inorganic matter into organic.

On the other hand, it is taken for granted that the landowner confronts the labourer as a capitalist. He pays for the labour-power, which the labourer offers to him as a commodity, and he receives in return not only an

equivalent, but appropriates for himself the enlarged value arising from the use of this labour-power. The alienation of the material condition of labour from labour-power itself is presupposed in this exchange. The starting-point is the feudal landowner, but he comes on to the stage as a capitalist, as a mere owner of commodities, who makes profitable use of the goods exchanged by him for labour, and gets back not only their equivalent, but a surplus over this equivalent, because he pays for the labour-power only as a commodity. He confronts the free labourer as an owner of commodities. In other words, this landowner is in essence a capitalist. In this respect too the Physiocratic system hits the mark, inasmuch as the separation of the labourer from the soil and from the ownership of land is a fundamental condition ||228| for capitalist production and the production of capital.

Hence the contradictions in this system: it was the first to explain *surplus-value* by the appropriation of the labour of others, and in fact to explain this appropriation on the basis of the exchange of commodities; but it did not see that value in general is a form of social labour and that surplus-value is surplus-labour. On the contrary, it conceived value merely as use-value, merely as material substance, and surplus-value as a mere gift of nature, which returns to labour, in place of a given quantity of organic material, a greater quantity. On the one hand, it stripped rent — that is, the true economic form of landed property — of its feudal wrapping, and reduced it to mere surplus-value in excess of the labourer's wage. On the other hand, this surplus-value is explained again in a feudal way, as derived from nature and not from society; from man's relation to the soil, not from his social relations. Value itself is resolved into mere use-value, and therefore into material substance. But again what interests [the Physiocrats] in this material substance is its quantity — the excess of the use-values produced over

those consumed; that is, the purely quantitative relation of the use-values to each other, their mere exchange-value, which in the last resort comes down to labour-time.

All these are contradictions of capitalist production as it works its way out of feudal society, and interprets feudal society itself only in a bourgeois way, but has not yet discovered its own peculiar form — somewhat as philosophy first builds itself up within the religious form of consciousness, and in so doing on the one hand destroys religion as such, while on the other hand, in its positive content, it still moves only within this religious sphere, idealised and reduced to terms of thought.

Hence also, in the conclusions which the Physiocrats themselves draw, the ostensible veneration of landed property becomes transformed into the economic negation of it and the affirmation of capitalist production. On the one hand, all taxes are put on rent, or in other words, landed property is in part confiscated, which is what the legislation of the French Revolution sought to carry through and which is the final conclusion of the fully developed Ricardian modern political economy. By placing the burden of tax entirely on rent, because it alone is surplus-value — and consequently any taxation of other forms of income ultimately falls on landed property, but in a roundabout way, and therefore in an economically harmful way, that hinders production — taxation and along with it all forms of State intervention, are removed from industry itself, and the latter is thus freed from all intervention by the State. This is ostensibly done for the benefit of landed property, not in the interests of industry but in the interests of landed property.

Connected with this is *laissez faire, laissez aller*[2]; unhampered free competition, the removal from industry of all interference by the State, monopolies, etc. Since industry [as the Physiocrats see it] creates nothing, but

only transforms values given it by agriculture into another form; since it adds no new value to them, but returns the values supplied to it, though in altered form, as an equivalent; it is naturally desirable that this process of transformation should proceed without interruptions and in the cheapest way; and this is only realised through free competition, by leaving capitalist production to its own devices. The emancipation of bourgeois society from the absolute monarchy set up on the ruins of feudal society thus takes place only in the interests of the feudal landowner transformed into a capitalist ||229| and bent solely on enrichment. The capitalists are only capitalists in the interests of the landowner, just as political economy in its later development would have them be capitalists only in the interests of the working class.

It can be seen therefore how little the modern economists, [such as] Herr Eugéne Daire (who published the works of the Physiocrats together with his prize essay on them), have understood the Physiocrats when they treat their specific theories — of the exclusive productivity of agricultural labour, of rent as the only surplus-value, and of the landowners' pre-eminent status in the system of production — as if they had no connection and were only fortuitously associated with their proclamation of free competition, the principle of large-scale industry, of capitalist production. At the same time it is understandable how the feudal semblance of this system, in the same way as the aristocratic tone of the Enlightenment, was bound to win a number of feudal lords as enthusiastic supporters and propagandists of a system which, in its essence, proclaimed the rise of the bourgeois system of production on the ruins of the feudal.

[3. Quesnay on the Three Classes in Society. Further

Development of Physiocratic Theory with Turgot: Elements of a Deeper Analysis of Capitalist Relations]

We will now examine a number of passages, partly to elucidate and partly in support of the theses advanced above.

With *Quesnay* himself, in the *Analyse du Tableau économique* the nation consists of three classes of citizens:

> "*the productive class*" (agricultural labourers), "*the class of landowners* and the *sterile class*" ("all the citizens occupied with other services and with other labours than those of agriculture") (*Physiocrates, etc.*, édition Eugéne Daire, Paris, 1846, 1 partie, p. 58).

Only the agricultural labourers, not the landowners, appear as a productive class, as a class which creates surplus-value. The importance of this class of landowners, which is not "sterile", because it is the representative of "surplus-value", does not rest on its being the creator of surplus-value, but exclusively on the fact that it appropriates surplus-value.

[With] *Turgot* [the Physiocratic system is] most fully developed. In some passages in his writings the pure gift of nature is presented as *surplus-labour*, and on the other hand the necessity for the labourer to yield up what there is in excess of his necessary wage [is explained] by the separation of the labourer from the conditions of labour, and their confronting him as the property of a class which uses them to trade with.

The first reason why agricultural labour alone is productive is that it is the natural basis and pre-condition for the independent pursuit of all other forms of labour.

> "His" (the husbandman's) "labour, in the sequence of the labours divided among the different members of the society, retains the same primacy ... as the labour which provided his own food had among the different kinds of labour which, when he worked alone, he was obliged to devote to his different kinds of wants. We have here neither a primacy of honour nor of dignity; it is one of *physical necessity* ... What his labour causes the land to produce beyond his personal wants is the only fund for the wages which all the other members of the society receive in exchange for their labour. The latter, in making use of the price of this exchange to buy in their turn the products of the husbandman, only return to him" (as matter) "exactly what they have received from him. We have here a very essential difference ||230| between these two kinds of labour" (*Réflexions sur la formation et la distribution des richesses* (1766). Turgot, *Oeuvres*, édition Daire, t. I, Paris, 1844, pp. 9-10).

How then does surplus-value arise? It does not arise from circulation, but it is realised in circulation. The product is sold at its value, not *above* its value. There is no excess of price over value. But because it is sold at its value, the seller realises a surplus-value. This is only possible because he has not himself paid in full for the value which he sells, that is, because the product contains a portion of value which has not been paid for by the seller, which he has not offset by an equivalent. And this is the case with agricultural labour. The seller sells what he has not bought. Turgot at first presents this unbought element as a *pure gift of nature*. We shall see, however, that in his writings this pure gift of nature becomes imperceptibly transformed into the surplus-labour of the

labourer which the landowner has not bought, but which he sells in the products of agriculture.

> "As soon as the labour of the husbandman *produces more than* his wants, he can with this superfluity *that nature accords him as a pure gift* over and above the wages of his toil, buy the labour of the other members of the society. The latter, in selling it to him gain only their livelihood; but the husbandman gathers, beyond his subsistence, a wealth which is independent and disposable, *which he has not bought and which he sells*. He is, therefore, the sole source of the riches, which, by their circulation, animate all the labours of the society, *because he is the only one whose labour produces over and above the wages of labour*" (l.c., p. 11).

In this first conception we have, to begin with, the essence of surplus-value — that it is value realised in sale, without the seller having given an equivalent for it, without his having bought it. *Unpaid value.* But in the second place this is conceived as a pure gift of nature, this excess over the *wage of labour*; because after all it is a gift of nature, it depends on the productivity of nature that the labourer is able to produce in his day's labour more than is necessary for the reproduction of his labour-power, more than the amount of his wages. In this first conception the total product is still appropriated by the labourer himself ... And this total product is divided into two parts. The first forms his wages; he is presented as his own wage-labourer, who pays himself the part of the product that is necessary for the reproduction of his labour-power, for his subsistence. The second part, which is the excess over the first, is *a gift of nature* and forms surplus-value. The nature of this surplus-value, of this pure gift of nature, will however take clearer shape, when the premise of the proprietor who cultivates his land is abandoned and the two parts of the product, wages and surplus-value, accrue to different classes, the one to the wage-worker, the other to the landowner.

The formation of a class of wage-labourers, whether in manufacture or in agriculture itself — at first all *manufacturiers*[3] appear only as *stipendiés*,[4] wage-labourers of the cultivating proprietor — requires the separation of the conditions of labour from labour-power, and the basis for this separation is that the land itself becomes the private property of one part of society, so that the other part is cut off from this objective condition for making use of its labour.

> "In the early stages there was no need to distinguish the proprietor from the cultivator ... In this early time, as every industrious man would find as much land as he ||231| wished, he could not be tempted *to work for others* ... But in the end all land found its master, and those who could not have properties had at first no other resource than that of *exchanging the labour of their arms*, in the employment of tbe *stipendiary* class" (i.e., the class of artisans, of all non-agricultural labourers) "for the superfluous portion of the produce of the cultivating proprietor" (l.c., p. 12).

> The cultivating proprietor with the considerable surplus which the land gave to his labour, could "pay men to cultivate his land; and for men who live on wages, it was as good to earn them in this business as in any other. *Thus ownership of land had to be separated from the labour of cultivation, and soon it was* ... The landowners began to shift the labour of cultivating the soil on to the wage-labourers" (l.c., p. 13).

In this, way, therefore, the relation between capital and wage-labour arises in agriculture itself. It first arises when a number of people find themselves cut off from ownership of the conditions of labour — above all from the land — and have nothing to sell but their labour itself.

For the wage-labourer, however, who can no longer produce commodities, but must sell his labour itself,

the *minimum* of wages, the equivalent of the necessary means of subsistence, necessarily becomes the law which governs his exchange with the owner of the conditions of labour.

> "The mere workman who has only his arms and his industry, has nothing unless he succeeds in selling his labour to others ... In every kind of work it cannot fail to happen, and as a matter of fact it does happen, that the wages of the workman are limited to what is necessary to procure him his subsistence" (l.c., p. 10).

Then as soon as wage-labour has arisen, "the produce of land is divided into two parts: the one includes the subsistence and the profits of the husbandman, which are the reward of his labour and the condition upon which be undertakes to cultivate the field of the proprietor. What remains is that independent and disposable part which the land *gives as pure gifts to him who cultivates it*, over and above his advances and the wages of his trouble; and this is the portion of the proprietor, or the revenue with which the latter can live without labour and which he uses as he will" (l.c., p. 14).

This pure gift of the land, however, is now already defined as a gift which it gives to him "who cultivates it", and thus as a gift which it makes to labour; as the productive power of labour applied to the land, a productive power which labour possesses through using the productive power of nature and which it thus derives from the land — but it derives it from the land only as labour. In the hands of the landowner, therefore, the surplus appears no longer as a "gift of nature", but as the appropriation — without an equivalent — of another's labour, which through the productivity of nature is enabled to produce means of subsistence in excess of its own needs, but which, because it is wage-labour, is restricted to appropriating for itself, out of the product of

the labour, only "what is necessary to procure him" [i. e., the worker] "his subsistence".

> "The *cultivator* produces *his own wages*, and, in addition, the revenue which serves to pay the who]e class of artisans and other stipendiaries... *The proprietor has nothing except through the labour of the cultivator*" (therefore not through a pure gift of nature); "he receives from him his ||232| subsistence and that wherewith he pays the labours of other stipendiarlies ... the cultivator has need of the proprietor only by virtue of conventions and laws ..." (l.c., p. 15).

Thus in this passage surplus-value is explicitly stated to be the part of the cultivator's labour which the proprietor appropriates to himself without giving any equivalent, and he sells the product of his labour, therefore, without having bought it. Only what Turgot has in mind is not exchange-value as such, the labour-time itself, but the surplus of products which the cultivator's labour supplies to the proprietor over and above his own wages; which surplus of products, however, is only the embodiment of the amount of time which he works gratis for the proprietor in addition to the time which he works for the reproduction of his wages.

We see thus how, *within the limits of agricultural labour*, the Physiocrats have a correct grasp of surplus-value; they see it as a product of the wage-labourer's labour, although they in turn conceive this labour in the concrete forms in which it appears in use-values.

The capitalist exploitation of agriculture — "leasing or letting of land" — is, it may be noted in passing, described by Turgot as "the most advantageous method of all, but it presupposes a land that is already rich" (l.c., p. 21).

<In considering surplus-value it is necessary to turn from the sphere of circulation to the sphere of production. That is to say, to deduce surplus-value not

simply from the exchange of commodity for commodity, but from exchange as it occurs within production, between the owners of the conditions of labour and the labourers themselves. These too confront each other as owners of commodities, and consequently there is no assumption here of production independent of exchange.>

<In the Physiocratic system the proprietors [landowners] are the *salariants*,[5] labourers and manufacturers in all other branches of industry being wage-labourers or stipendiaries. Consequently also the governing and the governed.>

Turgot analyses the conditions of labour as follows:

> "In every craft, it is necessary that the workman should have tools in advance, that he should have a sufficient quantity of the materials upon which he has to labour; it is necessary that he should subsist while waiting for the sale of his finished goods" (l.c., p. 34).

All these advances, these conditions on which alone labour can be performed, which are therefore *preconditions* of the labour-process, are originally provided gratis by the land:

> It is the land which "has provided the first fund of advances prior to all cultivation", in fruits, fish, game, etc., in tools such as tree branches, stones, in domestic animals, which multiply through the process of procreation, and moreover each year yield products in "milk, fleeces, hides and other materials, which, with the wood obtained in the forests, have formed the first fund for the works of industry" (l.c., p. 34).

Now these conditions of labour, these advances to labour become *capital* as soon as they have to be advanced to the labourer by a third person, and this is the

case from the moment when the labourer owns nothing but his labour-power itself.

> "*When* a large part of the society had *only their arms to maintain them*, it was necessary that those who thus lived on wages should begin by having *something in advance*, either to procure the materials upon which to labour or to maintain them while waiting for the payment of their wages" (l.c., pp. 37-38).

||233| Turgot defines "*capitals*" as "accumulated movable values" (l.c., p. 38). Originally the proprietor or cultivator pays wages directly each day and supplies the material, for example, to the spinner of flax. As industry develops, larger advances and continuity of the process of production are necessary. This is then undertaken by the possessor of capital. In the price of his products he must recover all his *advances* and a profit equal to

> "what his money would have been worth to him if he had employed it in the purchase of an estate", besides his wages, "for doubtless, if the profit. were the same, he would have preferred to live without any exertion on the revenue of the land he could have acquired with the same capital" (l.c., pp. 38-39).

The "stipendiary industrial class" is itself subdivided "into capitalists, entrepreneurs and simple workers", etc. (p. 39). Agricultural entrepreneurs are in the same position as these [industrial] entrepreneurs. They must similarly get all their advances replaced, along with the profit as shown above.

> "All this must first be deducted from the price of the products of the earth; the *surplus* serves the cultivator for payment the proprietor for the permission he has given him to make use of his field for setting his enterprise on foot. This is the price of the lease, the revenue of the proprietor, the *net produce*; for all the land produces, up to the amount that replaces the advances of every kind and the

> profits of the person who has made the advances, cannot be regarded as a revenue, but only as *the return of the expenses of cultivation;* when one considers that, if the cultivator did not get them back, he would take care not to employ his resources and his toil in cultivating the field of another" (l.c., p. 40).

Finally:

> "Although capitals are partly formed by saving from the profits of the working classes, yet, as these profits always come from the earth — inasmuch as they are all paid either from the revenue, or as part of the expenditure which serves to produce the revenue — it is evident the capitals come from the land just as much as the revenue does; or, rather, that they are nothing but the accumulation of the part of the values produced by the land that the proprietors of the revenue, or those who share it with them, can lay by every year without using it, for the satisfaction of their wants" (l.c., p. 66).

It is quite right, that if rent is the only surplus-value, accumulation takes place only from rent. What the capitalists accumulate apart from rent, they pinch from their wages (their revenue, destined for their consumption — since this is how profit is defined).

As profit, like wages, is reckoned in with the costs of cultivation, and only the surplus forms the revenue of the proprietor, the latter — in spite of the honourable status given him — is in fact excluded from the costs of cultivation (and thereby from being an agent of production), just as with the Ricardians.

The emergence of the Physiocrats was connected both with the opposition to Colbertism and, in particular, with the hullabaloo over the John Law system.

[4. Confusion of Value with Material Substance (Paoletti)]

||234| The confusion of value with material substance, or rather the equating of value with it, and the connection between this view and the whole outlook of the Physiocrats, comes clearly to light in the following extracts from *Ferdinando Paoletti: I veri mezzi di render felici le societá* (in part directed against Verri, who in his *Meditazioni sulla Economia politica* (1771), had attacked the Physiocrats). (Paoletti of Toscana, op. cit., t. XX, [published by] Custodi, Parte moderna.)

> "Such a *multiplication of matter*" as are the products of the earth "has certainly never taken place through industry, nor is it possible. This gives matter only form, it only modifies it; consequently nothing is created by industry. But, the objection may be raised, industry gives matter form, and consequently it is productive; even if this is not a production of matter, it is nevertheless one of form. Very well, then, I won't contest this. But *that is not creation of wealth; on the contrary, it is nothing but an expense* ... Political economy presupposes, and takes as the object of its investigation, material and real production, which is found only in agriculture, since this alone multiplies the substances and products which form wealth ... Industry buys raw materials from agriculture, in order to work them up; its labour — as we have already said — gives these raw materials only a form, but it adds nothing to them and does not multiply them" (pp. 196-97). "Give the cook a measure of peas, with which he is to prepare your dinner; he will put them on the table for you well cooked and well dished up, but in the same quantity as he was given, but on the other band give the same quantity to the gardener for him to put into the ground; he will return to you,

> when the right time has come, at least fourfold the quantity that he had been given. This is the true and only production" (p. 197). "Things receive value through the needs of men. Therefore the value or the increase of value of commodities is not the result of industrial labour, but of the labourers' outlays" (p. 198). "Hardly has a new manufacture of any kind made its appearance, but it immediately spreads within and outside the country; and see! *very soon* competition from other industrialists and merchants brings the price down to its correct level, which ... is determined by the value of the raw material and the costs of the labourers' maintenance" (pp. 204-05).

[5. Elements of Physiocratic Theory in Adam Smith]

Agriculture is the first of all branches of industry to use the forces of nature on a considerable scale. Their use in manufacturing industry becomes apparent only at a higher stage of industrial development. The following quotation shows how, in this connection, Adam Smith still reflects the prehistory of large-scale industry and for this reason upholds the Physiocratic point of view, and how Ricardo answers him from the standpoint of modern industry.

||235| In Book II, Ch. V [of his *An Inquiry into the Nature and Causes of the Wealth of Nations*], Adam Smith says with reference to the rent of land:

> "It is the work of nature which remains after deducting or compensating every thing which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third of the whole produce. No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. *in them nature does nothing; man does all*; and the reproduction must always be in proportion to the strength of the

> agents that occasion it" [Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* ... By I. R. McCulloch, Vol. II, Edinburgh, 1828, p. 147.]

On which Ricardo comments [in his *On the Principles of Political Economy, and Taxation*], 2nd edition, 1819, note to pp. 61-62:

> "Does nature nothing for man in manufactures? Are the powers of wind and water, which move our machinery, and assist navigation, nothing? The pressure of the atmosphere and the elasticity of steam, which enable us to work the most stupendous engines — are they not the gifts of nature? to say nothing of the effects of the matter of heat in softening and melting metals, of the decomposition of the atmosphere in the process of dyeing and fermentation. There is not a manufacture which can he mentioned, in which nature does not give her assistance to man, and give it too, generously and gratuitously."

[An anonymous author emphasises] that the Physiocrats regarded profit as only a deduction from rent:

> For instance, "say they,[6] of the price of a piece of lace, one part merely replaces what the labourer consumed, and the other part is only transferred from one man's pocket <i.e., that of the landlord> to another's" (*An Inquiry into those Principles, respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus, etc.*, London, 1821, p. 96).

The view of Adam Smith and his followers that the accumulation of capital is due to personal stinting and saving and self-denial of the capitalists also originates from the view of the Physiocrats that profit (including interest) is merely revenue for the consumption of the capitalists. They could say this because they only

regarded land rent as the true economic, so to speak legitimate, source of accumulation.

"He," says Turgot, i.e., the husbandman, "is the only one whose labour produces *over and above the wages of labour*" (Turgot, l.c., p. 11).

Here the entire profit is thus reckoned in with the wages of labour.

> ||236| "The cultivator creates over and above that restitution" (of his own wages) "the revenue of the proprietor; and the artisan creates no revenue, either for himself or for others" (l.c., p. 16). "All the land produces up to the amount that replaces the advances of every kind and the profits of the person who has nade the advances, *cannot be regarded as a revenue*, but only as *the return of the expenses of cultivation*" (l.c., p. 40).

Adolphe Blanqui, *Histoire de l'économie politique*, Brussels, 1839, says [of the Physiocrats] on p. 139:

> [They were of the opinion that] "Labour applied to the cultivation of the soil produced not only the wherewithal to maintain the labourer throughout the entire duration of the task, but also *on excess of value*" (surplus-value) "which could he added to the mass of already existing wealth. They called this excess the *net product*". (Thus they conceive surplus-value in the form of the use-values in which it appears.) "The net product had necessarily to belong to the owner of the land and constituted in his hands a revenue fully at his disposal. What then was the net product of the other industries? ... Manufacturers, merchants, workmen, all were the employees, *the stipendiaries* of agriculture, sovereign creator and dispenser of all wealth. The products of the labour of these latter represented in the system of the *Economists* only the equivalent of what they had consumed during the task, so that after their work was completed, the sum total

> of wealth was absolutely the same as before, *unless the workmen or the masters had placed in reserve*, that is to say *s a v e d, what they had the right to consume*. Thus, then, labour applied to the soil was the only labour productive of wealth, and labour in other industries was regarded as *s t e r i l e*, because *no increase in the general capital resulted from it.*"

<Thus the Physiocrats saw the production of surplus-value as the essence of capitalist production. It was this phenomenon that they had to explain. And it remained the problem, after they had eliminated the profit upon alienation of the Mercantile system.

> "In order to acquire money," says *Mercier de la Riviére*, "one must buy it, and, after this purchase, one is no richer than one was before; one has simply received in money the same value that one has given in commodities" (Mercier de la Riviére, *L'Ordre naturel et essentiel des sociétés politiques*, t. II, p. 338).

This holds good both for ||237| purchase and for sale, as also for the whole metamorphosis of the commodity, or for the result of the exchange of different commodities at their value, that is, the exchange of equivalents. Whence, therefore, comes surplus-value? That is, whence comes capital? That was the problem for the Physiocrats. Their error was that they confused the *increase of material substance*, which because of the natural processes of vegetation and generation distinguishes agriculture and stock-raising from manufacture, with the *increase of exchange-value*. Use-value was their starting-point. And the use-value of all commodities, reduced, as the scholastics say, to a universal, was the material substance of nature as such, whose increase in the same form occurs only in agriculture.>

Germain Garnier, the translator of Adam Smith and himself a Physiocrat, correctly expounds their *theory of savings*, etc. First he says that manufacture, as the Mercantilists maintained of all production, can *only* produce surplus-value through the profit of expropriation, by selling commodities above their value, so that only a new distribution of values created takes place, but no new addition to the created values.

> "The labour of artisans and manufacturers, opening no new source of wealth, *can only be profitable through advantageous exchanges*, and has only a purely relative value, a value which will not he repeated if there is no longer the opportunity to *gain on the exchanges*" (his translation *Recherches sur la nature et les causes de la richesse des nations*, t. V, Paris, 1802, p. 266). Or the savings which they make, the values which they secure over and above those which they expend, must be stinted from their own consumption. "The labour of artisans and manufacturers, though only able to add to the general amount of the wealth of society the savings made by the wage-labourers and the capitalists, may well tend by these means to enrich society" (l.c., p. 266).
>
> And in greater detail: "The labourers in agriculture enrich the State by the very product of their labour: labourers in manufactures and commerce, on the contrary, cannot enrich it otherwise than through *savings on their own consumption*. This assertion of the Economists is a consequence of the distinction which they have established, and appears to be quite incontestable. indeed, the labour of artisans and manufacturers cannot add anything else to the value of the material than the value of their own labour, that is to say, the value of the wages and profits which this labour should have earned, at the rates actually current in the country ||238| for the one and the other. For these wages, whether they be small or large, are the reward of labour; they are what the labourer has the right to consume and is presumed to consume; because it is only

> in consuming them that he can enjoy the fruits of his labour, and this enjoyment is all that in reality constitutes his reward. Similarly profits, whether they he high or low, are also regarded as the daily and continuous consumption of the capitalist, who is naturally presumed to proportion his enjoyments to the revenue that his capital gives him. Thus unless the workman curtails a part of the comforts to which he has the right in accordance with the current rate of wages assigned *to his labour*; unless the capitalist resigns himself to saving a part of the revenue which his capital brings him, both the one and the other will consume, in proportion as the piece of work is completed, the whole value resulting from this work. The total quantity of the wealth of society will then be, after their labour is over, the same as it was before, *unless they have saved* a part of what they had the right to consume and what they could consume without being charged with wasting; in which case the total quantity of the wealth of society will have been increased *by the whole value of these savings*. Consequently it is correct to say that the agents of manufacture and commerce can *only add to the total quantity of wealth existing in society by their privations alone*" (l.c., pp. 263-64).

Garnier is also quite correct in noting that Adam Smith's theory of accumulation through savings rests on this Physiocratic foundation. (Adam Smith was strongly infected by the Physiocrats, as he nowhere shows more strikingly than in his critique of the Physiocrats). Garnier says:

> "Finally, if the Economists have maintained that manufacturing and commercial industry can only add to the national wealth by privations, Smith has likewise said that industry would he practised in vain, and the capital of a country would never grow larger, unless the economy augmented it by its savings" (Book II, Ch. 3). "Smith is therefore in full agreement with the Economists" and so on (l.c., p. 270).

[6. The Physiocrats as Partisans of Large-Scale Capitalist Agriculture]

||239| Among the immediate historical circumstances which facilitated the spread of Physiocratic theory and even its emergence, Adolphe Blanqui, in the work already mentioned, adduces:

> "Of all the values which shot up in the feverish atmosphere of the *system*" (Law's), "nothing remained except ruin, desolation and bankruptcy. *Landed property alone* did not go under in the storm." <For this reason Herr Proudhon, in *Philosophie de la Misére*, puts landed property only after credit.> "It even improved its position by changing hands and by being *subdivided on a large scale*, perhaps for *the first time* since feudalism" (l.c., p. 138). In particular, "The innumerable changes of ownership which were effected under the influence of the system, began the process of parcelling out property ... Landed property arose for the first time from the condition of torpor in which the feudal system had kept it for so long. This was a real awakening for agriculture ... It" (the land) "passed now from out of a condition of mortmain and came into circulation" (l.c., pp. 137-38).

Turgot as well as *Quesnay* and his other adherents also want *capitalist* production in agriculture. Thus Turgot:

> "The leasing or letting of land ... this latter method" (large-scale agriculture, based on the modern system of leases) "is the most advantageous of all, but it presupposes a country that is already rich" (see Turgot, l.c., p. 21).

And Quesnay in his *Maximes générales du gouvernement économique d'un royaume agricole:*

> "The pieces of land which are employed in growing grain should as far as possible he joined together in large-scale farms which can be managed by rich farmers" (i.e., capitalists) "since the expenses for the maintenance and repair of the buildings are smaller and therefore the costs are correspondingly much lower and the net product much greater in the case of large agricultural undertakings than in the case of small."

In the same passage Quesnay admits that the increased productivity of agricultural labour accrues to the "net revenue", and therefore in the first place to the landowner, i. e., the owner of surplus-value, and that the relative increase of the latter arises not from the land but from the social and other arrangements for raising the productivity of labour. ||240| For he says in the same place:

> "Every advantageous" <i.e., advantageous to the net product> "economy in labour which can he accomplished with the aid of animals, machines, water-power and so on, will be of benefit to the population," etc.

At the same time Mercier de la Riviére (l.c., t. II, p. 407) has an inkling that surplus-value at least in manufacture has something to do with the manufacturing workers themselves. (Turgot extended this to all production, as already mentioned.) In the passage cited he exclaims:

> "Moderate your enthusiasm, ye blind admirers of the false products of industry. Before ye extol its miracles, open your eyes and see how many live in poverty or at least, in need, among those producers who understand the art of converting 20 sous into the value of a thousand écus. *Who then benefits by this enormous increase in value? What do you say! Comforts are unknown to those through whose hands it is accomplished. Take warning then by this contrast!*"

[7. Contradictions in the Political Views of the Physiocrats. The Physiocrats and the French Revolution]

[There were] contradictions in the system of the Economists, taken as a whole. Among others, Quesnay was for the absolute monarchy.

> "There must be only one supreme power... The system of opposing forces in a government is ruinous. It merely indicates discord among the great and the suppression of the small people" (in the above-mentioned *Maximes générales*, etc.).

Mercier de la Riviére [says]:

> By the very fact "that man is intended to live in a community, he is intended to live under a despotism" ([*L'Ordre naturel et essentiel des sociétés politiques*], t. I, p. 281).

And to crown all the "Friend of the People", the Marquis de Mirabeau — Mirabeau the Elder! It was precisely this school, with its *laissez faire, laissez aller*, that overthrew Colbertism and all forms of government interference in the activities of bourgeois society. It allowed the State to live on only in the pores of this society, as Epicurus placed his gods in the pores of the world! The glorification of landed property in practice turns into the demand that taxes should be put exclusively on ground-rent, [and this implies] the virtual confiscation of landed property by the State, just as with the radical section of the Ricardians. The French Revolution, in spite of the protests of Roederer and others, accepted this taxation theory.

Turgot himself [was] the radical bourgeois minister who prepared the way for the French Revolution. For all their sham feudal pretences the Physiocrats were working hand in hand with the Encyclopaedists! 160; |240||

||241| Turgot sought to anticipate the measures of the French Revolution. By the edict of *February 1776* he abolished the guilds. (This edict was revoked three months after it was promulgated.) Similarly he annulled the road-making *corvée des paysans*[7] He tried to introduce the single tax on rent of land.

||241| We shall come back again later to the great service rendered by the Physiocrats respecting the analysis of capital.

Meanwhile just this point: surplus-value (according to them) is due to the productivity of a special kind of labour, agricultural labour. And on the whole this special productivity is due to nature itself.

In the Mercantile system, surplus-value is only relative — what one wins, the other loses: profit upon alienation or oscillation of wealth between different parties. So that within a country, if we consider the total capital, no creation of surplus-value in fact takes place. It can only arise in the relations between one nation and other nations. And the surplus realised by one nation as against the other takes the form of money (the balance of trade), because it is precisely money that is the direct and independent form of exchange-value. In opposition to this — for the Mercantile system in fact denies the creation of absolute surplus-value — the Physiocrats seek to explain absolute surplus-value: the *net product*. And since the net product is fixed in their minds as use-value, agriculture [is for them] *the sole creator of it*.

[8. Vulgarisation of the Physiocratic Doctrine by the Prussian Reactionary Schmalz]

One of the most naïve representatives of Physiocratic theory — how far removed he is from Turgot! — is the old smeller-out of demagogues and royal Prussian Privy Councillor Schmalz. For instance:

> "If nature pays him" (the lessor of the land, the landowner) "*even double the legal interests*, on what plausible ground could anyone dare to deprive him of it?" (*Économie politique*, traduit par Henri Jouffroy, etc., t. I. Paris, 1826, p. 90.)

The minimum of wages is so formulated by the Physiocrats that the consumption (or expenditure) of the labourers is equal to the wage *that they receive*. Or as Herr Schmalz puts it in a general way:

> "The average wage in a trade is equal to the average of what a man in this trade consumes during the time of his labour" (l.c., p. 120).
>
> "*Rent of land* is the one and only element of the national revenue; ||242| and interest on capitals employed and the wages of all kinds of labours only make the product of this rent pass and circulate through everyone's hands" (l.c., pp. 309-10).
>
> "The utilisation of the land, its faculty, its capacity for the annual reproduction of rent, is all that constitutes the national wealth" (l.c., p. 310). "If we go back to the foundations, to the first elements of the *value* of all objects, whatsoever they may be, we are forced to recognise that this value is nothing other than that of the simple products of nature; that is to say, although labour may have given a new

> value to these objects and raised their price, this new value, or this price, is only made up nevertheless of the total values put together of all the natural products which, because of the new form that labour has given them, have been destroyed, consumed, or used by the labourer in one way or another" (l.c., p. 313).

"This kind of labour" (agriculture proper) "being the only labour that contributes to the production of *new b o d i e s*, it is therefore the only labour that can, up to a certain point, be considered productive. As for labours in working up material or in industry ... they simply give a new form to bodies which nature has produced" (l.c., pp. 15-16).

[9. An Early Critique of the Superstition of the Physiocrats in the Question of Agriculture (Verri)]

Against the superstition of the Physiocrats.

Verri (Pietro): *Meditazioni sulla Economia politica*. (First printed 1771), t. XV. [Published by] Custodi, Parte moderna.

> "All the phenomena of the universe, whether produced by the hand of man or through the universal laws of physics, are not actual *new creations*, but merely a *modification* of matter. *Joining together* and *separating* are the only elements which the human mind always finds on analysing the concept of *reproduction*; and it is just the same with the *reproduction of value* and of *wealth*, when earth, air and water in the fields are transformed into corn, or when the hand of man transforms the secretions of an insect into silk, or some pieces of metal are arranged to

> make the mechanism of a watch" (pp. 21-22). Further: The Physiocrats call "the class of manufacturing labourers *sterile*, because in their view *the value of manufactured products is equal to the raw material* plus *the means of subsistence which the manufacturing labourers consume during the time of manufacture*" (l.c., p. 25).

||243| On the other hand, Verri calls attention to the constant poverty of the agricultural population in contrast to the progressive enrichment of the artisans, and then goes on to say:

"This proves that the artisan, in the price which he receives, gets not only the *replacement of his outlay on consumption, but a certain sum over and above that; and this sum is a new quantity of value created* in the annual production" (l.c., p. 26). "The newly-created value is therefore that part of the price of the agricultural or industrial products which they *yield over and above the original value* of the materials and the necessary outlays on consumption while they are being worked up. In agriculture the seed and the consumption of the husbandman must be deducted, as in manufacture the raw material and the consumption of the industrial workman; and every year *new value* is created, *to the amount of the balance that remains*" (l.c., pp. 26-27).

Editors' Footnotes

1 The most indispensable, the absolutely necessary. — Ed.

2 Lit.: let go, let act (let people act as they choose); demanding that the Government should not interfere in the economic life of the country. — Ed

3 Manufacturers. — Ed.

4 Those who are paid (wages or a salary). — Ed.

5 The payers of wages. — Ed.

6 In the manuscript: “The Physiocrats say f.i.” — Ed.

7 Compulsory labour exacted of the peasants. — Ed.

Theories of Surplus Value, Marx 1861-3

[Chapter III] Adam Smith

[1. Smith’s Two Different Definitions of Value; the Determination of Value by the Quantity of Labour Expended Which Is Contained in a Commodity, and Its Determination by the Quantity of Living Labour Which Can Be Bought in Exchange for This Commodity]

[See Adam Smith Archive.]

Adam Smith, like all economists worth speaking of, takes over from the Physiocrats the conception of the average wage, which he calls the natural price of wages.

> "A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more, otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation." ([Adam Smith, *Wealth of Nations*, Oxford University Press, London, 1928. Vol. I, p. 75, Garnier] t. 1, l. I, ch. VIII, p. 136.*)

Adam Smith expressly states that the development of the productive powers of labour does not benefit the labourer himself. He says (1. I, ch. VIII [*An Inquiry into the Nature and Causes of the Wealth of Nations*] edit. McCulloch, London, 1828):

> "The produce of labour constitutes the natural recompense or wages of labour. In that Original state of things, which precedes both the *appropriation of land* and the *accumulation of stock*, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him. Had this state continued, the wages of labour *would have augmented with all those improvements in its productive powers*, to which the *division of labour* gives occasion. All things would gradually have become cheaper." ‹At any rate all those things requiring a smaller quantity of labour for their reproduction, but they "would" not only have become cheaper; they have, in point of fact, become cheaper.› "They would have been produced by a smaller quantity of labour; and as the commodities produced by equal quantities of 1abour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with ||244| the produce of a smaller quantity [...] But this original state of things, in which the labourer enjoyed the whole produce of his

> own labour, could *not last beyond the first introduction of the appropriation of land and the accumulation of stock*. It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace further what might have been its effects upon the recompense or wages of labour" (Vol. I, pp. 107–09).

Here Adam Smith very acutely notes that the really great development of the productive power of labour starts only from the moment when it is transformed into wage-labour, and the conditions of labour confront it on the one hand as landed property and on the other as capital. The development of the productive power of labour thus begins only under conditions in which the labourer himself can no longer appropriate its result. It is therefore quite useless to investigate how this growth of productive powers might have influenced or would influence "wages", taken here as equal to the product of labour, on the hypothesis that the product of labour (or the value of this product) belonged to the labourer himself.

Adam Smith is very copiously infected with the conceptions of the Physiocrats, and often whole strata run through his work which belong to the Physiocrats and are in complete contradiction with the views specifically advanced by him. This is so, for example, in the theory of rent, etc. For our present purpose we can completely disregard these passages in his writings, which are not characteristic of himself, but in which he is a mere Physiocrat.

In the first part of this work, when dealing with the analysis of the commodity, I have already pointed out Adam Smith's inconsistency in his treatment of how exchange-value is determined. In particular, [I have shown] how he sometimes confuses, and at other times substitutes, the determination of the value

of *commodities* by the quantity of labour required for their production, with its determination by the quantity of living labour with which commodities can be bought, or, what is the same thing, the quantity of commodities with which a definite quantity of living labour can be bought. Here he makes the *exchange-value* of labour the measure for the value of commodities. In fact, he makes *wages* the measure; for wages are equal to the quantity of commodities bought with a definite quantity of living labour, or to the quantity of labour that can be bought by a definite quantity of commodities. The value of labour, or rather of labour-power, changes, like that of any other commodity, and is in no way specifically different from the value of other commodities. Here value is made the measuring rod and the basis for the explanation of value—so we have a vicious circle.

From the exposition that follows, however, it will be seen that this vacillation and this jumbling up of completely heterogeneous determinations of value do not affect Smith's investigations into the nature and origin of surplus-value, because in fact, without even being aware of it, whenever he examines this question, he keeps firmly to the correct determination of the exchange-value of commodities —that is, its determination by the quantity of labour or the labour-time expended on them. |244||

||VII-283a| <Many examples can be given to show how often in the course of his work, when he is explaining actual facts, Smith treats the quantity of labour contained in the product as value and determining value. Some of these are quoted by Ricardo. His whole doctrine of the influence of the division of labour and improved machinery on the price of commodities is based on it. Here one passage will be enough to cite. In ch. XI, l. I Adam Smith speaks of the cheapening of many manufactured goods in his time, as compared with earlier centuries, and he concludes with the words:

> "It cost a greater quantity of labour ||283b| to bring the goods to market. When they were brought thither, therefore, they must have purchased, or exchanged for the price, of a greater quantity." ([*Wealth of Nations*, O.U.P. edition, Vol. I, p. 284], [Garnier] t. II, p. 156).//|VII-283b||

||VI-245| Secondly, however, this contradiction in Adam Smith and his passing from one kind of explanation to another is based upon something deeper, which Ricardo, in exposing this contradiction, overlooked or did not rightly appreciate, and therefore also did not solve. Let us assume that all workers are producers of commodities, and not only produce their commodities but also sell them. The value of these commodities is determined by the necessary labour-time contained in them. If therefore the commodities are sold at their value, the labourer buys with one commodity, which is the product of twelve hours' labour-time, another twelve hours' labour-time in the form of another commodity, that is to say, twelve hours' labour-time which is embodied in another use-value. The value of his labour is therefore equal to the value of his commodity; that is, it is equal to the product of twelve hours' labour-time. The selling and buying again, in a word, the whole process of exchange, the metamorphosis of the commodity, alters nothing in this. It alters only the form of the use-value in which this twelve hours' labour-time appears. The value of labour is therefore equal to the value of the product of labour. In the first place, equal quantities of materialised labour are exchanged in the commodities—in so far as they are exchanged at their value. Secondly, however, a certain quantity of living labour is exchanged for an equal quantity of materialised labour, because, firstly, the living labour is materialised in a product, a commodity, which belongs to the labourer, and secondly, this commodity is in turn exchanged for another commodity which contains an equally large quantity of labour. In fact, therefore, a certain quantity of living labour is exchanged for an equal

amount of materialised labour. Thus it is not only commodity exchanging for commodity in the proportion in which they represent an equal quantity of materialised labour-time, but a quantity of living labour exchanging for a commodity which represents the same quantity of labour materialised.

On this assumption the value of labour (the quantity of commodities which can he bought with a given quantity of labour, or the quantity of labour which can be bought with a given quantity [of commodities]) could serve as the measure of the value of a commodity just as well as the quantity of labour contained in it, since the value of labour always represents the same quantity of materialised labour as the living labour requires for the production of this commodity; in other words, a definite quantity of living labour-time would always command a quantity of commodities which represents an equal amount of materialised labour-time. But in all modes of production—and particularly in the capitalist mode of production —in which the material conditions of labour belong to one or several classes, while on the other hand nothing but labour-power belongs to another class, the working class, what takes place is the opposite of this. The product or the value of the product of labour does not belong to the labourer. A definite quantity of living labour does not command the same quantity of materialised labour, or a definite quantity of labour materialised in a commodity commands a greater quantity of living labour than is contained in the commodity itself.

But as Adam Smith quite correctly takes as his starting-point the commodity and the exchange of commodities, and thus the producers initially confront each other only as possessors of commodities, sellers of commodities and buyers of commodities, he therefore discovers (so it seems to him) that in the exchange between capital and wage-labour, ||246| materialised labour and living

labour, the general law at once ceases to apply, and commodities (for labour too is a commodity in so far as it is bought and sold) do not exchange in proportion to the quantities of labour which they represent. *Hence* he concludes that labour-time is no longer the immanent measure which regulates the exchange-value of commodities, from the moment when the conditions of labour confront the wage-labourer in the form of landed property and capital. He should on the contrary, as Ricardo rightly points out, have drawn the opposite conclusion, that the expressions "quantity of labour" and "value of labour" are now no longer identical, and that therefore the relative value of commodities, although determined by the labour-time contained in them, is not determined by the value of labour, since that was only correct so long as the latter expression remained identical with the former. Later on, when we deal with Malthus, we can show how wrong and absurd it would be, even when the labourer appropriated his own product, i.e., the value of his own product, to make this value or the value of labour the measure of value, in the same sense in which labour-time or labour itself is the measure of value and the value-creating element. For even in that case the labour which can be bought with a commodity cannot serve as a measure in the same sense as the labour contained in it. One would be merely an index to the other.

In any case Adam Smith feels the difficulty of deducing the exchange between capital and labour from the law that determines the exchange of commodities, since the former apparently rests on quite opposite and contradictory principles. And indeed the contradiction could not be solved so long as capital was set directly against labour instead of against labour-power. Adam Smith was well aware that the labour-time expended on the reproduction and maintenance of labour-power is very different from the labour which it [i.e., labour-

power] itself can perform. Thus he himself quotes from Cantillon's *Essai sur la nature du commerce:*

> "The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave" ([*Wealth of Nations*, O.U.P. edition, Vol. I, p. 75], [Garnier] t. I, l. I, ch. VIII, p. 137).

On the other hand it is strange that Adam Smith did not grasp how little the objection he raises has to do with the law that determines the exchange of commodities for each other. That commodities A and B exchange in proportion to the labour-time contained in them is in no way upset by the proportions in which the producers A or B divide the products A and B, or rather their value, between themselves. If a part of A goes to the landowner, another to the capitalist, and a third part to the labourer, no matter what the share of each may be, this does not alter the fact that A itself exchanges with B according to its value. The relation between the labour-time contained in commodities A and B is in no way affected by how the labour-time contained in A and B is appropriated by various persons. "When the exchange of broadcloth for linen has been accomplished, the producers of broadcloth will share in the linen in a proportion equal to that in which they previously shared in the broadcloth" ([Karl Marx], *Misére de la Philosophie*, p. 29). It is this, too, that later the Ricardians rightly maintained against ||247| Adam Smith. Thus the Malthusian John Cazenove says:

> "... Interchange and Distribution distinct from each other. ...* The circumstances which affect the one do not always affect the other. For instance, a reduction in the cost of producing any particular commodity will alter its relation to all others; but it will not necessarily alter its own distribution, nor will it in any way affect theirs. Again, a general

> reduction in the value of commodities affecting them *all alike* will not alter their relation to each other. It might or might not affect their distribution" (John Cazenove: Preface to his edition of Malthus's *Definitions in Political Economy*, London, 1853, [p. VI]).

But since the "distribution" of the value of the product between capitalist and worker is itself based on an exchange between commodities —commodities and labour-power —Adam Smith is justifiably startled. The fact that he had also made the value of labour, or the extent to which a commodity (or money) can purchase labour, the measure of value, has a disturbing effect on Smith's argument when he comes to the theory of prices, shows the influence of competition on the rate of profit, etc.; it deprives his work of all unity, and even excludes a number of essential questions from his inquiry. As we shall soon see, however, it did not affect his exposition of *surplus-value in general*, because here he keeps consistently to the correct determination of value by the labour-time expended in different commodities.

So now to his treatment of the question.

But first we must mention one other circumstance. Adam Smith mixes up different things. First he states in Book I, Ch. V:

> "Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences and amusements of human life. But after the division of labour bas once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the *labour of other people*, and he must he rich or poor *according* to *the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity*, therefore, to the person who possesses it, and who means not to use or

> consume it, himself, but *to exchange it for other commodities, is equal to the quantity of labour* which *it enables him to purchase or command*. Labour, therefore, is the *real* measure of the *exchangeable value* of all commodities" ([*Wealth of Nations*, O.U.P. edition, Vol. I, pp. 32–33], [Garnier] t. I, pp. 59 to 60).

Further:"*They*" (the goods) "contain *the value of a certain quantity of labour, which we exchange ||248| for what is supposed at the time to contain the value of an equal quantity*... It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command" ([ibid., p. 33], [Garnier] l. I, ch. V, pp. 60–61).

> Finally: "*Wealth*, as Mr. Hobbes says, is *power*. But the person who either acquires, or succeeds to a great fortune, does not necessarily acquire or succeed to any political power, either civil or military... The power which that possession immediately and directly conveys to him, is the power of purchasing a certain command over *all the labour, or over all the produce of labour which is then in the market*" ([Ibid.], [Garnier] i.e., p. 61).

It can be seen that in all these passages Adam Smith confuses *the labour of other people* with the *produce of this labour*. The exchange-value of the commodity which anyone possesses consists —after the division of labour— in the commodities belonging to someone else which he can buy, i.e., in the quantity of someone else's labour which is contained in them, the quantity of someone else's materialised labour. And this quantity of the labour of others is equal to the quantity of labour that is contained in his own commodity. As he expressly says:

> "They" (the goods) "contain the value of a certain quantity of labour, which we exchange for what is supposed at the time to contain *the value of an equal quantity*."

It emphasis here is on the change brought about by the *division of labour:* that is to say, that wealth no longer consists in the product of one's own labour, but in the quantity of the labour of others which this product commands, the social labour which it can buy, the quantity of which is determined by the quantity of labour it itself contains. In fact, only the concept of exchange-value is here involved —that my labour now counts only as social labour, and consequently its product determines my wealth by its command over an equal quantity of social labour. My commodity, which contains a definite quantity of necessary labour-time, gives me command over all other commodities of equal value, and therefore over an equal quantity of the labour of others realised in other use-values. The emphasis here lies on the equalisation, brought about through the division of labour and exchange-value, of *my* labour with the labour of *others*, in other words, with social labour (the fact that *my* labour too, or the labour contained in my commodities, is already *socially* determined, and has fundamentally changed its character, escapes Adam), and not at all on the difference between *materialised* labour and *living* labour, and the specific laws of their exchange. In fact, Adam Smith is here saying nothing more than that the value of commodities is determined by the labour-time contained in them, and that the wealth of the owner of commodities consists in the quantity of social labour at his disposal.

However, the equating here of *labour* and *product of labour* ||249| in fact provides the first occasion for the confusion between the determination of the value of commodities by the quantity of labour contained in them, and the determination of their value by the quantity of living labour that they can buy, in other words, their

determination by the value of labour. When Adam Smith says:

> "His fortune is greater or less, precisely in proportion to the extent of this power, or to the quantity of either of other men's labour, or, *what is the same thing*" (here is the false identification) "*of the produce of other men's labour*, which it enables him to purchase". (*[Wealth of Nations*, O.U.P. edition, Vol. I, p. 33], [Garnier] l.c., p. 61.)

He might just as well have said: it is in proportion to the quantity of social labour contained in his own commodity or fortune; as indeed he also says:

> "They" (the goods) "contain the value of a certain quantity of labour, which we exchange for what is supposed at the time [to contain] the value of *an equal quantity*."

(The word *value* is here superfluous and meaningless.) The false conclusion emerges already in this Chapter V, when for example he says:

> "Labour alone, therefore, never varying in its *own value*, is alone the ultimate and real standard by which the value of all commodities can at all times and places he estimated and compared" ([ibid., p. 36], [Garnier] l.c., p. 66).

What is true of labour itself and consequently of its measure, labour-time —that the value of commodities is always proportionate to the labour-time realised in them, no matter how the *value of labour* may change —is here claimed for this changing value of labour itself.

Here Adam Smith is examining only commodity exchange in general: the nature of exchange-value, of the division of labour and of money. The parties to the exchange still confront each other only as owners of commodities. They buy the labour of others in the form of a commodity, just as their own labour appears in the

form of a commodity. The quantity of social labour which they command is therefore equal to the quantity of labour contained in the commodity with which they themselves make the purchase. But when in the following chapters he comes to the exchange between materialised labour and living labour, between capitalist and worker, and then *stresses* that the value of the commodity is now no longer determined by the quantity of labour it itself contains, but by the quantity —which is different from this —of living labour of others which it can command, i.e., buy, he is not in fact saying by this that commodities themselves no longer exchange in proportion to the labour-time they contain; but that the *increase of wealth*, the increase of the value contained in the commodity, and the extent of this increase, depends upon the greater or less quantity of living labour which the materialised labour sets in motion. And put in this way it is correct. Smith, however, remains unclear on this point.

[2. Smith's General Conception of Surplus-Value. The Notion of Profit, Rent and Interest as Deductions from the Product of the Worker's Labour]

||250| In Chapter VI of Book I Adam Smith passes on from those relations in which it is assumed that the producers confront one another only as sellers and possessors of commodities to the relations of exchange between those who possess the conditions of labour and those who possess labour-power alone.

> "In that early and rude state of society which *precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects*, seems to be the only circumstance which can afford any rule for exchanging them for one another... It is natural that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour" ([ibid., p. 52] t. I, ch. VI. pp. 94–95, Garnier).

That is to say, the labour-time necessary to produce different commodities determines the proportion in which they exchange for one another, or their *exchange-value*.

> "In this state of things, the whole produce of labour belongs to the labourer; and the quantity of labour commonly employed in acquiring or producing any commodity, is the only circumstance which can regulate the quantity of labour which it ought commonly to purchase, command, or exchange for" ([ibid., p. 53], [Garnier] l.c., p. 96).

Consequently, on this assumption the labourer is a mere seller of commodities, and one commands the labour of another only in so far as he buys the other's commodity with his commodity. He thus commands with his commodity only so much of the other's labour as is contained in his own commodity, since both exchange only commodities against each other, and the exchange-value of the commodities is determined by the labour-time or quantity of labour they contain.

But, Adam continues:

> "As soon as *stock has accumulated in the hands of particular persons*, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, *in order to make a profit by the sale of their work, or by what*

> *their labour adds to the value of the materials*"
> ([ibid., p. 53], [Garnier] l.c., p. 96).

Stop, before we follow the passage further. In the first place, whence come the "industrious people" who possess neither means of subsistence nor materials of labour—people who are hanging in mid air? If we strip Smith's statement of its naïve phrasing, it means nothing more than: capitalist production begins from the moment when the conditions of labour belong to one class, and another class has at its disposal only labour-power. This separation of labour from the conditions of labour is the precondition of capitalist production.

Secondly, however, what does Adam Smith mean when he says that the employers of labour set labourers to work "*in order to make a profit by the sale of their work*, or by what their labour ||251| adds to the value of the materials"?

Does he mean by this that the profit comes from the *sale*, that the commodity is sold *above* its value —that is, what Steuart calls profit upon alienation, which is nothing but a vibration of wealth between parties?* Let him answer for himself.

> "In exchanging *the complete manufacture* either for money, *for labour*," (here again is a source of new error) "or for other goods, over and above what may he sufficient to pay the price of the materials, and the wages of the workmen, *something must be given* for the profits of the undertaker of the work, who hazards his stock in this adventure" ([ibid., p. 53], [Garnier], l.c.).

We shall return to this "hazarding" later (see notebook VII, p. 173) in the chapter on the apologetic accounts of profit.[29] This something given for the *profits* of the undertaker, when the complete work is exchanged, does it come from the sale of the commodity above its value, is it Steuart's profit upon alienation?

> "The *value*," Adam continues immediately, "*which the workmen add to the materials*, therefore, resolves itself *in this case*" (when capitalist production has begun) "*into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock oaf materials and wages which he advanced*" ([ibid., p. 53], [Garnier] l.c., pp. 96–97).

Here therefore Adam Smith explicitly states: the profit which is made on the sale of the complete manufacture originates not from *the sale* itself, not from the sale of the commodity *above* its value, is not profit upon alienation. The value, that is, the quantity of labour which the workmen add to the material, falls rather into two parts. One pays their wages or is paid for through their wages. By this transaction the workmen give in return only as much labour as they have received in the form of wages. The other part forms the profit of the capitalist, that is, it is a quantity of labour which he sells without having paid for it. If therefore he sells the commodity at its value, that is, for the labour-time contained in it, in other words if he exchanges it for other commodities in accordance with the law of value, then his profit originates from the fact that he has not *paid for* a part of the labour contained in the commodity, but has nevertheless *sold* it. Adam Smith has thereby himself refuted the idea that the circumstance that the whole product of his labour no longer belongs to the labourer, that he is obliged to share it or its value with the owner of capital, invalidates the law that the proportion in which commodities exchange for each other, or their exchange-value, is determined by the quantity of labour-time materialised in them. Indeed, on the contrary, he traces the profit of the capitalist precisely to the fact that he has not paid for a part of the labour added to the commodity, and it is from this that his profit on the sale of the commodity arises. We shall see how further on Adam Smith even more explicitly derives profit from the labour

performed by the workman over and above the quantity of labour with which he *pays for* his wages, that is to say, replaces it by an equivalent. Thereby he has recognised the true origin of surplus-value. At the same time he has expressly stated that it does not arise from the ||252| advanced funds, whose value —however useful they may he in the real labour-process —merely reappears in the product; but that it arises exclusively from the new labour which the workmen *add to the materials* in the new process of production, in which those funds figure as means of labour or instruments of labour.

On the other hand, the phrase "in exchanging the complete manufacture either for money, *for labour*, or for other goods—" is wrong (and arises from the confusion mentioned earlier).

If he exchanges the commodity for money or for a commodity, his profit arises from his selling more labour than he has paid for, from the fact that he does not exchange an equal quantity of materialised labour for an equal quantity of living labour. Adam Smith therefore must not put the exchange either for money or for other goods on the same footing as the exchange of the complete manufacture for labour. For in the first exchange the surplus-value originates from the fact that the commodities are exchanged at their value, for the labour-time contained in them, which however is in part *unpaid for*. Here it is assumed that the capitalist does not exchange an equal quantity of past labour for an equal quantity of living labour; that the quantity of living labour appropriated by him is greater than the quantity of living labour he has paid for. Otherwise the workman's wage would be equal to the value of his product. The profit on the exchange of the complete manufacture for money or commodities, if they are exchanged at their value, arises therefore from the fact that the exchange between the complete manufacture and the living labour is subject to other laws; that no equivalents are exchanged

here. These cases, therefore, must not be lumped together.

Profit is consequently nothing but a deduction from the value which the workmen have added to the material of labour. They add to the material, however, nothing but a new quantity of labour. The workman's labour-time therefore resolves itself into two parts: one for which he has received an equivalent, his wages, from the capitalist; the other which he gives to him gratis and which constitutes the *profit*. Adam Smith rightly points out that only the part of the labour (value) which the workman newly adds to the material resolves itself into wages and profit, that is to say, the newly-created surplus-value in itself has nothing to do with the part of the capital which has been advanced (as materials and instruments).

Adam Smith, who has thus reduced profit to the appropriation of the unpaid labour of others, at once goes on to say:

> "The profits of stock, it may perhaps he thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction" ([ibid., p. 53], [Garnier] p. 97).

And he refutes this false view of the labour of superintendence. We shall return to this later, in another chapter. Here it is only important to stress that Adam Smith very clearly recognises, brings out and expressly emphasises the contradistinction between his view of the origin of profit and this apologist view. After pointing out this contradistinction he proceeds:

||253| "In this state of things the whole produce of labour does not always belong to the labourer. He must in most cases share it with the *owner of the stock* which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the

only circumstance which can regulate the quantity which it ought commonly to purchase, command or exchange for. An *additional quantity*, it is evident, must he due for the profits of the stock which advanced the wages and furnished the materials of that labour" ([ibid., pp. 54–55], [Garnier] l.c., p. 99).

This is quite correct. Given capitalist production, materialised Labour—in the form of money or commodity—always purchases, besides the quantity of labour which it itself contains, an "additional quantity" of living labour "for the profits of the stock"; which however in other words means nothing but that it appropriates for nothing, appropriates without paying for it, a part of the living labour. Adam Smith is superior to Ricardo in that he so strongly emphasises how this change begins with capitalist production. On the other hand, he is inferior to Ricardo in that he is never able to free himself from the viewpoint —though it is one he himself refuted by his own analysis —that through this changed relation between materialised labour and living labour a change takes place in the determination of the relative value of commodities, which in relation to each other represent nothing but materialised labour, given quantities of realised labour.

After thus presenting surplus-value in the one form, the form of profit, as part of the labour which the worker performs over and above the part of the labour which pays his wages, he does the same with the other form of surplus-value, *rent of land*. One of the objective conditions of labour alienated from labour, and therefore confronting it as other men's property, is *capital;* the other is the *land* itself, the land as *landed property*. Therefore after dealing with the *owner of capital*, Adam Smith continues:

> "As soon as the land of any country has all become private property, the landlords, like *all other men*, love to reap where they never sowed, and demand a *rent* even for its natural

> produce... He" (the labourer) "must give up to the landlord *a portion of what his labour either collects or produces*. This portion, or, what comes to the same thing, the price of this portion, constitutes the *rent of land*" ([ibid., p. 55], [Garnier], l.c., pp. 99–100).

Like industrial profit proper, rent of land is only a part of the labour which is added by the labourer to the materials and *which he gives up*, hands over to the owner of the land without being paid for it; hence, only a part of the surplus-labour performed by him over and above the part of the labour-time which he works to pay his wages or to return an equivalent for the labour-time contained in his wages.

Thus Adam Smith conceives *surplus-value*—that is, surplus-labour, the excess of labour performed and realised in the commodity *over and above* the paid labour, the labour which has received its equivalent in the wages —as the *general category*, ||254| of which profit in the strict sense and rent of land are merely branches. Nevertheless, he does not distinguish surplus-value as such as a category on its own, distinct from the specific forms it assumes in profit and rent. This is the source of much error and inadequacy in his inquiry, and of even more in the work of Ricardo.

Another form in which surplus-value appears is *interest on capital*, interest on money. But this "*interest on money is always*", Adam Smith says in the same chapter, "*a derivative revenue*, which, if it is not paid from the *profit* which is made by the use of the money, must he paid from some other source of revenue" (therefore either rent or wages. In the latter case, assuming the average wage, it does not originate from surplus-value but is a deduction from the wage itself or— and in this form, as we shall later have occasion to see, it appears in undeveloped capitalist production —it is only another form of profit) "unless perhaps the borrower is a

spendthrift, who contracts a second debt in order to pay the interest of the first" ([ibid., p. 581, [Garnier], l. c., pp. 105–06). Interest is therefore either a part of the *profit* made with the capital lent; in this case it is only a secondary form of profit itself, a branch of profit, and thus only a further division between different persons of the surplus-value appropriated in the form of profit. Or it is paid out of rent. In which case the same holds good. Or the borrower pays the interest out of his own or someone else's capital. In which case it in no way constitutes surplus-value, but is merely a different distribution of existing wealth, vibration of the balance of wealth between parties, as in profit upon alienation. Excluding the latter case, when interest is not in any way a form of surplus-value (and excluding the case where it is a deduction from the wage or itself a form of profit; Adam Smith does not mention this latter case), interest is therefore only a secondary form of surplus-value, a mere part of profit or of rent (affecting merely their distribution), and therefore also is nothing but a part of unpaid surplus-Labour.

> "The stock which is lent at interest is always *considered* as a capital by the lender. He expects that in due time it is to be restored to him, and that in the meantime the borrower is to pay him a certain annual rent for the use of it. The borrower may use it either as a *capital*, or as a *stock reserved for immediate consumption*. If he uses it as a capital, he employs it in the maintenance of productive labourers, *who reproduce the value with a profit*. He can, in this case, both restore the capital and pay the interest without alienating or encroaching upon any other source of revenue. If he uses it as a stock reserved for immediate consumption, he acts the part of a prodigal, and dissipates in the maintenance of the idle, what was destined for the support of the industrious. He can, in this case, neither restore the capital nor pay the interest, without either alienating or encroaching upon some other source of revenue, such as the property or

> [...] rent of land" (Vol. II, b. II, ch. IV, p. 127 edit. McCulloch).

|255| Thus whoever borrows money, which here means capital, either uses it himself as capital, and makes a profit with it. In this case the interest which he pays to the lender is nothing but a part of the profit under a *special name*. Or he consumes the borrowed money. Then he increases the wealth of the lender by reducing his own. What takes place is only a different distribution of the wealth that passes from the hand of the spendthrift into that of the lender, but there is no generation of surplus-value. In so far therefore as interest in any way represents surplus-value, it is nothing but a part of profit, which itself is nothing but a definite form of surplus-value, that is, unpaid labour.

Finally, Adam Smith observes that in the same way all incomes of persons who live on the proceeds of taxes are paid either from wages, and are therefore a deduction from wages themselves; or have their source in profit and rent, thus representing only claims whereby various social strata share in the consumption of profit and rent, which themselves are nothing but different forms of surplus-value.

> "All taxes, and all the revenue which is founded upon them, all salaries, pensions, and annuities of every kind, are ultimately derived from some one or other of those three original sources of revenue, and are paid either immediately or mediately from the wages of labour, the profits of stock, or the rent of land ([*Wealth of Nations*, O.U.P. edition, p. 53], [Garnier] I, ch. VI, p. 106).

Thus interest on money, along with taxes or revenues derived from taxes—in so far as they are not deductions from wages themselves —are merely shares in profit and rent, which are themselves in turn reducible to surplus-value, that is, unpaid labour-time.

This is Adam Smith's general theory of surplus-value.

In yet another passage Adam Smith sums up his views on the whole question, making it all the more clear how far he is from even attempting in any way to prove that the value added by the labourer to the product (after deducting the costs of production, the value of raw materials and of the instruments of labour) is no longer determined by the labour-time contained in the product, because the labourer does not himself appropriate this value in full, but has to share it—the value or the product—with the capitalist and the landowner. The way in which the value of a commodity is distributed among the producers of this commodity naturally alters nothing in the nature of this value or in the relative value of commodities to one another.

> "As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it. *His rent makes the first deduction from the produce of the labour which is employed upon land.* It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him, unless he was to share in the produce of his labour, or unless his stock was to be replaced to him with a profit. *This profit makes a second deduction* ||256| *from the* [...] *labour which is employed upon land*, The produce of almost all other labour is liable *to the like deduction of profit*. la all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it he completed. *He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit*" ([McCulloch edition] Vol. I, b. I, ch. VIII, pp. 109–10).

Here therefore Adam Smith in plain terms describes rent and profit on capital as mere *deductions* from the workman's product or the value of his product, which is equal to the quantity of labour added by him to the material. This deduction however, as Adam Smith has himself previously explained, can only consist of that part of the labour which the workman adds to the materials, over and above the quantity of labour which only pays his wages, or which only provides an equivalent for his wages; that is, the surplus-labour, the unpaid part of his labour. (Therefore, incidentally, profit and rent or capital and landed property can never be a *source of value*.)

[3. Adam Smith's Extension of the Idea of Surplus-Value to All Spheres of Social Labour]

We see the great advance made by Adam Smith beyond the Physiocrats in the analysis of surplus-value and hence of capital. In their view, it is only one definite kind of concrete labour—agricultural labour —that creates surplus-value. Therefore what they examine is the use-value of labour, not labour-time, general social labour, which is the sole source of value. In this special kind of labour, however, it is *nature*, the land, which in fact creates the surplus-value, consisting in an increase of (organic) matter—the excess of the matter produced over the matter consumed. They see it, however, still in quite a restricted form and therefore distorted by fantastic ideas. But to Adam Smith, it is general social labour—no matter in what use-values it manifests itself—the mere quantity of necessary labour, which creates value. Surplus-value, whether it takes the form of profit, rent, or the secondary form of interest, is nothing but a

part of this labour, appropriated by the owners of the material conditions of labour in the exchange with living labour. For the Physiocrats, therefore, surplus-value appears only in the form of rent of land. For Adam Smith, rent, profit and interest are only different forms of surplus-value.

When I speak of surplus-value, in relation to the total sum of capital advanced, as *profit on capital*, this is because the capitalist directly engaged in production *directly* appropriates the surplus-labour, no matter under what categories he has subsequently to share this surplus-value with the landowner or with the lender of capital. Thus the farmer pays the landowner directly. And the manufacturer, out of the surplus-value he has appropriated, pays rent to the owner of the land on which the factory stands, and interest to the capitalist who has advanced capital to him.

||257| <There are now still to be examined: 1. Adam Smith's confusion of surplus-value with profit; 2. his views on productive labour; 3. how he makes rent and profit *sources of value*, and his false analysis of the "natural price" of commodities, in which the value of raw materials and instruments is not supposed to have a separate existence, and therefore not to be considered, apart from the price of the three sources of revenue.//

[4. Smith's Failure to Grasp the Specific Way in Which the Law of Value Operates in the Exchange between Capital and Wage-Labour]

Wages or the equivalent with which the capitalist buys the temporary disposal of labour-power are not a commodity in its immediate form, but the commodity metamorphosed, money, the commodity in its independent form as exchange-value, as the direct materialisation of social labour, of labour-time in general. With this money the labourer naturally buys commodities at the same price as any other possessor of money <disregarding here such details as, for example, that he buys on less favourable conditions and in worse circumstances, etc.> He faces the seller of commodities as does every other possessor of money—as a buyer. He enters commodity circulation itself not as a labourer, but as pole Money facing pole Commodity, as possessor of commodity in its general, always exchangeable form. His money is once more transformed into commodities, which are to serve him as use-values, and in this process he buys commodities at the current market-price—generally speaking, at their value, In this transaction he carries through only the act M—C, which indicates a change of form, but, as a general rule, by no means a change in magnitude of value. Since however, by his labour materialised in the product, he has added not only as much labour-time as was contained in the money he received, he has paid not only an equivalent but has given surplus-labour gratis—which is precisely the source of the profit—he has thus *in fact* (the mediating process, the sale of his labour-power, is not relevant when we are dealing with the result) given a higher value than the value of the sum of money which forms his wages. In return, he has bought with more labour-time the quantity of labour realised in the money which comes to him as wages. It can therefore be said that in the same way he has indirectly bought all the commodities into which the money (which is only the independent expression of a definite quantity of social labour-time) he received is converted with more labour-time than they contain, although he buys them at the same price as any other

buyer or possessor of a commodity in its first transformation. Conversely, the money with which the capitalist buys labour contains a smaller quantity of labour, less labour-time, than the quantity of labour or labour-time of the workman contained in the commodity produced by him. Besides the quantity of labour contained in this sum of money which forms the wage, the capitalist buys an additional quantity of labour for which he does not pay, an excess over the quantity of labour contained in the money he pays out. And it is precisely this additional quantity of labour which constitutes the surplus-value created by capital.

But as the money ||258| with which the capitalist buys labour (in the actual result, even though mediated through exchange not with labour directly, but with labour-power) is nothing other than the transmuted form *of all other commodities*, their independent existence as exchange-value, it can equally well be said that all commodities in exchange with living labour buy more labour than they contain, It is precisely this more that constitutes surplus-value.

It is Adam Smith's great merit that it is just in the chapters of Book I (chapters VI, VII, VIII) where he passes from simple commodity exchange and its law of value to exchange between materialised and living labour, to exchange between capital and wage-labour, to the consideration of profit and rent in general—in short, to the origin of surplus-value—that he feels some flaw has emerged. He senses that somehow—whatever the cause may be, and he does not grasp what it is—in the actual result the law is suspended: more labour is exchanged for less labour (from the labourer's standpoint), less labour is exchanged for more labour (from the capitalist's standpoint). His merit is that he emphasises—and it obviously perplexes him—that with the *accumulation of capital* and the *appearance of property in land*—that is, when the conditions of labour assume an independent

existence over against labour itself—something new occurs, apparently (and actually, in the result) the law of value changes into its opposite. It is his theoretical strength that he feels and stresses this contradiction, just as it is his theoretical weakness that the contradiction shakes his confidence in the general law, even for simple commodity exchange; that he does not perceive how this contradiction arises, through labour-power itself becoming a commodity, and that in the case of this specific commodity its use-value—which therefore has nothing to do with its exchange-value—is precisely the energy which creates exchange-value. Ricardo is ahead of Adam Smith in that these apparent contradictions—in their result real contradictions—do not confuse him. But he is behind Adam Smith in that he does not even suspect that this presents a problem, and therefore the *specific* development which the law of value undergoes with the formation of capital does not for a moment puzzle him or even attract his attention. We shall see later how what was a stroke of genius with Adam Smith becomes reactionary with Malthus as against Ricardo's standpoint.

Naturally, however, it is at the same time this deep insight of Adam Smith's that makes him irresolute and uncertain, cuts the firm ground from under his feet, and prevents him—in contrast to Ricardo—from reaching a consistent and comprehensive theoretical view of the abstract, general foundations of the bourgeois system.

||259| The above-quoted statement by Adam Smith that the commodity buys more labour than it contains, or that labour pays a higher value for the commodity than the latter contains, is thus formulated by Hodgskin:

> "*Natural* or *necessary price*[*] means [...] the whole *quantity of labour* nature requires from man, that he may produce any commodity... Labour was the original, is now and ever will he the only purchase money in

> dealing with nature... .Whatever quantity of labour may he requisite to produce any commodity, the labourer must always, in the present state of society, give a great deal more labour to acquire and possess it than is requisite to buy it from nature. Natural price thus** increased to the labourer is *social price* ... we must always attend to the difference *between natural and social price****" (Thomas Hodgskin, *Popular Political Economy*, etc., London, 1827, pp. 219–20).

In this presentation Hodgskin reproduces both what is correct and what is confused and confusing in Adam Smith's view.

[5. Smith's Identification of Surplus-Value with Profit. The Vulgar Element in Smith's Theory]

We have seen how Adam Smith explains *surplus-value* in general, of which the rent of land and profit are only different forms and component parts. As he presents it, the part of capital which consists of raw material and means of production has nothing directly to do with the creation of surplus-value. The latter arises exclusively from the additional quantity of labour which the labourer gives *over and above* the part of his labour which forms only the equivalent for his wages. Therefore it is only that part of the capital advanced which consists in wages from which surplus-value directly arises, since it is the only part of capital which not only reproduces itself but produces an overplus. In profit, on the other hand, the surplus-value is calculated on the total amount of capital advanced, and besides this modification other new

complications arise through the equalisation of profits in the various spheres of production of capital.

Because Adam makes what is in substance an analysis of surplus-value, but does not present it explicitly in the form of a definite category, distinct from its special forms; he subsequently mixes it up directly with the further developed form, profit. This error persists with Ricardo and all his disciples. Hence arise (particularly with Ricardo, all the more strikingly because he works out the fundamental law of value in more systematic unity and consistency, so that the inconsistencies and contradictions stand out more strikingly) a series of inconsistencies, unresolved contradictions and fatuities, which the Ricardians (as we shall see later in the section on profit) attempt to solve with phrases in a scholastic way. Crass empiricism turns into false metaphysics, scholasticism, which toils painfully to deduce undeniable empirical phenomena by simple formal abstraction directly from the general law, or to show by cunning argument that they are in accordance with that law. At this point where we discuss Adam Smith we will give an example, because the confusion creeps in immediately not when he is dealing specifically with profit or rent—those particular forms of surplus-value—but where he is thinking of them only as forms of surplus-value in general, as *deductions* from the labour bestowed by the labourers upon the materials.

||260| After Adam Smith has said, in Book I, Chapter VI, "The value which the workmen *add* to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced", he continues: "He" (the entrepreneur) "could have no interest to employ them, unless he expected from the sale of their work something more than what was sufficient to replace his stock to him; and he could have no interest to employ a great stock

rather than a small one, unless his profits were to bear some proportion to the extent of his stock" [ibid., p. 53].

We note first: surplus-value, the overplus which the entrepreneur makes over and above the amount of value required to replace his stock, is reduced by Adam Smith to that part of the labour which the workmen add to the materials over and above the quantity that pays their wages—thus making this overplus arise purely from the part of the capital which is laid out in wages. Then, however, he immediately conceives this overplus in the form of profit—that is, he thinks of it not in relation to the part of the capital from which it arises, but as an overplus over the total value of the capital advanced, "upon the whole stock of materials and wages which he advanced". (It is oversight that the means of production are here left out of account). He therefore conceives surplus-value directly in the form of profit. Hence the difficulties that soon appear.

The capitalist, Adam Smith says, "could have no interest to employ them, unless he expected from the sale of their work *something more* than what was sufficient to replace his stock to him".

Once capitalist relations are assumed, this is quite correct. The capitalist does not produce in order to satisfy his needs with the product; he produces with absolutely no direct regard for consumption. He produces in order to produce surplus-value. But this premise—which amounts to no more than that, capitalist production being assumed, the capitalist produces for the sake of surplus-value—is not made use of by Adam Smith to *explain surplus-value*, as some of his silly disciples subsequently did; that is to say, he does not explain the existence of surplus-value by the interests of the capitalist, by his desire for surplus-value. On the contrary, he has already derived surplus-value from the value which the workmen add to the materials over and above the value which they

add in exchange for the wages they have received. But then he goes on at once: the capitalist would have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of the stock advanced. Here profit is no longer explained by the nature of surplus-value, but by the "interest" of the capitalist. Which is downright silly.

Adam Smith does not sense that, by thus directly confusing surplus-value with profit and profit with surplus-value, he is upsetting the law of the origin of surplus-value which he has just established. ||261| If surplus-value is only the part of the value (or of the quantity of labour) *added* by the workman *in excess* of the part that he adds to the materials to replace the wages, why should that second part grow as the direct result of the value of the capital advanced being in one case greater than in the other? The contradiction becomes even clearer in the example which Adam Smith himself gives immediately following on this, in order to refute the view that profit is wages for the so-called labour of superintendence.

For he says:

> "They" (the profits of stock) "are, however, altogether different" (from wages), "are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and direction. *They are regulated altogether by the value of the stock employed*, and are greater or smaller in proportion to the extent of this stock. Let us suppose, for example, that in some particular place, where *the common annual profits* of manufacturing stock *are ten per cent* there are two different manufactures, in each of which twenty workmen are employed, at the rate of fifteen pounds a year each, or at the expense of three hundred a year in each manufactory. Let us suppose, too, that the coarse materials annually wrought up in the one cost only seven

> hundred pounds, while the finer materials in the other cost seven thousand. The capital annually employed in the one will, in this case, amount only to one thousand pounds; whereas that employed in the other will amount to seven thousand three hundred pounds. At the rate of ten per cent, therefore, the undertaker of the one will expect a yearly profit of about one hundred pounds only; while that of the other will expect about seven hundred and thirty pounds. But though their profits are so very different, their labour of inspection and direction may be either altogether or very nearly the same" ([ibid., pp. 53–54], [Garnier] l.c.).

From surplus-value in its general form we come straight to a general rate of profit, which has nothing directly to do with it. But let us pass on! In both manufactories twenty workmen are employed; in both their wages are the same, £300. Proof therefore that it is not perhaps a case of a higher kind of labour being employed in one as compared with the other, so that one hour's labour and therefore also one hour's surplus-labour would in one be equal to several hours' surplus-labour in the other. On the contrary, the same average labour is assumed in both, as the equality of their wages shows. How then can the surplus-labour which the workers add, beyond the price of their wages, be worth seven times as much in one factory as in the other? Or why should the workers in one factory, because the materials they work up in it are seven times as costly as in the other, provide seven times as much surplus-labour as in the other, although in both factories they receive the same wages, and therefore work the same time to reproduce ||262| their wages?

The seven times greater profit in the one manufactory as compared with the other—or in general the law of profit, that it is in proportion to the magnitude of the capital advanced—thus *prima facie* contradicts the law of surplus-value or of profit (since Adam Smith treats the

two as identical) that it consists purely of the unpaid surplus-labour of the workmen. Adam Smith puts this down with quite naïve thoughtlessness, without the faintest suspicion of the contradiction it presents. All his disciples— since none of them considers surplus-value in general, as distinct from its determinate forms—followed him faithfully in this. With Ricardo, as already noted, it merely comes out even more strikingly.

As Adam Smith resolves surplus-value not only into profit but also into the rent of land—two particular kinds of surplus-value, whose movement is determined by quite different laws—he should certainly have seen from this that he ought not to treat general abstract form as directly identical with any of its particular forms. With all later bourgeois economists, as with Adam Smith, lack of theoretical understanding needed to distinguish the different forms of the economic relations remains the rule in their coarse grabbing at and interest in the empirically available material. Hence also their inability to form a correct conception of money, in which what is in question is only various changes in the form of exchange-value, while the magnitude of value remains unchanged.

[6. Smith's Erroneous View of Profit, Rent of Land and Wages as Sources of Value]

Lauderdale, in *Recherches sur la nature et l'origine de la richesse publique (traduit par Lagentie de Lavaïsse, Paris*, 1808), raises the objection to Adam Smith's exposition of surplus-value—which he says corresponds with the views already advanced by Locke—that according to it capital is not an original source of wealth, as Smith makes out, but only a derivative source. The relevant passages run:

> "'Above a century ago, Mr. Locke stated pretty nearly the same opinion" (as Adam Smith)... ""'Money', he said, 'is a barren thing and produces nothing; but by compact transfers that profit that was the reward of one man's labour into another man's pocket'" (Lauderdale, p. 116).
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> "If this, however, was a just and accurate idea of the profit of capital, it would follow that the profit of stock must he a derivative, and not an original source of revenue; and capital could not therefore he considered as a source of wealth, its profit being only a transfer from the pocket of the labourer into that of the proprietor of stock" (pp. 157–58). (l.c., p. 116–17)* [Lauderdale, James Maitland, *An Inquiry into the Nature* and *Origin of Public Wealth...,* Edinburgh and London, 1804, pp. 157–58].

In so far as the value of the capital reappears in the product, it cannot he called a "source of wealth". Here it is only as accumulated labour, as a definite quantity of materialised labour, that it adds its own value to the product.

Capital is productive of value only as a *relation*, in so far as it is a coercive force on wage-labour, compelling it to perform surplus-labour, or spurring on the productive power of labour to produce relative surplus-value. In both cases it only produces value as ||263| the power of labour's own material conditions over labour when these are alienated from labour; only as one of the forms of wage—labour itself, as a condition of wage—labour. But in the sense commonly used by economists, as stored up labour existing in money or commodities, capital—like all conditions of labour, even the unpaid natural forces—functions productively in the labour-process, in the production of use-values, but it is never a source of value. It creates no new value, and only adds exchange-value to the product at all in so far as it has exchange-value, that is to say, only in so far as it itself consists in

materialised labour-time, so that labour is the source of its value.

Lauderdale is right in this respect—that Adam Smith, after explaining the nature of surplus-value and of value, wrongly presents capital and land as independent sources of exchange-value. They are sources of revenue for their owners in so far as they are titles to a certain quantity of surplus-labour, which the labourer must perform over and above the labour-time required to replace his wages. Thus Adam Smith says for example:

"*Wages, profit, and rent*, are the *three original sources of* all revenue, *as well as of all exchangeable value" ([Wealth of Nations*, O.U.P. edition, p. 57], [Garnier], l. I, ch. VI).

Just as it is true that they are the three original sources of all revenue, so it is false that they also are the three original sources *of all exchangeable value*, since the value of a commodity is exclusively determined by the labour-time contained in it. After just presenting rent and profit as mere deductions from the value or from the labour added by the workman to the raw material, how can Adam Smith call them original sources of exchangeable value? (They can only be that in the sense that they set in motion the original source, that is to say, that they compel the workman to perform surplus-labour.) In so far as they are titles (conditions) for the appropriation of a part of the value, that is, of the labour materialised in the commodity, they are sources of income for their owners. But the distribution or appropriation of value is certainly not the source of the value that is appropriated. If this appropriation did not take place, and the workman received the whole product of his labour as his wage, the value of the commodities produced would be just the same as before, although it would not be shared with the landowner and the capitalist.

The fact that landed property and capital are sources of income for their owners, that is, give them the power to appropriate a part of the values created by labour, does not make them sources of the value which they appropriate. But it is equally wrong to say that wages are an original source of exchangeable value, although wages, or rather the continuous sale of labour-power, is a source of income for the labourer. It is the labour and not the wages of the labourer that creates value. Wages are only already existing value, or if we consider the whole of production, the part of the value created by the labourer which he himself appropriates; but this appropriation does not create value. His wages can therefore rise or fall without this affecting the value of the commodity produced by him. |263||

||265| <The following quotation should be added to what has been said above in regard to Adam Smith making the categories in which the value of the commodity is appropriated into sources of this value: After he has refuted the view that profit is only another name for the wages of the capitalist, or wages of labour of superintendence, he concludes:

> "In the *price* of commodities, therefore, the *profits* of stock constitute a component part altogether *different* from the wages [of labour], and regulated by quite different principles" ([ibid., p. 54], [Garnier] b. I, ch. VI, p. 99).

Adam Smith has just shown that the value added by the workmen to the materials is divided between them and the capitalists in the form of wages and profit; labour is therefore the only *source of value*, and the price of wages and the price of profits arise out of this source of value. But these prices themselves are not a *source of value.*// |265||

[7. Smith's Dual View of the Relationship between Value and Revenue. The Vicious Circle of Smith's Conception of "'Natural Price" as the Sum of Wages, Profit and Rent]

||263| Here we will leave entirely out of account how far Adam Smith regards rent as a constituent element of the price of commodities. For our present inquiry this question is all the more unimportant because he treats rent just as he treats profit, as a mere part of surplus-value, a deduction from the labour added by the labourer to the raw material, and consequently ||264| in fact also as a deduction from profit, inasmuch as the total unpaid surplus-labour is *directly* appropriated by the capitalist in his relations with labour; it does not matter under what categories he may later have to share this surplus-value with owners of the conditions of production—the landowner or the lender of capital. For the sake of simplicity we shall therefore speak only of wages and profit as the two categories into which newly-created value is divided.

Let us assume that twelve hours of labour-time are materialised in a commodity (*leaving out of account* the value of the raw material and instruments of labour consumed in it.) We can express its value as such only in *money*. Let us therefore assume that twelve hours of labour-time are likewise materialised in five shillings. Thus the value of the commodity is five shillings. By the natural price of commodities Adam Smith understands nothing but their value expressed in money. (The market-price of the commodity, of course,

stands either above or below its value. Indeed, as I shall show later, even the average price of commodities is *always different* from their value. Adam Smith, however, does not deal with this in his discussion of natural price. Moreover, neither the market-price nor still less the fluctuations in the average price of commodities can be comprehended except on the basis of an understanding of the nature of value.)

If the surplus-value contained in the commodity is twenty per cent of its total value, or what amounts to the same thing, twenty-five per cent of the necessary labour contained in it, then this value of five shillings, the natural price of the commodity, can be resolved into four shillings wages and one shilling surplus-value (which here we will call profit, following Adam Smith). It would be correct to say that the magnitude of value of the commodity determined independently of wages and profit, or its natural price, can be resolved into four shillings wages (the price of the labour) and one shilling profit (the price of the profit). But it would he wrong to say that the value of the commodity arises from adding together or combining the price of the wages and the price of the profit which are regulated independently of the value of the commodity. If this were the case there would be absolutely no reason why the total value of the commodity should not be 8 shillings, 10 shillings, etc., according to whether one assumes the wages to be 5 shillings and the profit 3 shillings, and so on.

When Adam Smith is examining the "natural rate" of wages or the "natural price" of wages, what guides his investigation? The natural price of the means of subsistence required for the reproduction of labour-power. But by what does he determine the natural price of these means of subsistence? In so far as he determines it at all, he comes back to the correct determination of value, namely, the labour-time required for the production of these means of subsistence. But when he

abandons this correct course, he falls into a vicious circle. By what is the natural price of the means of subsistence determined, which determine the natural price of wages? By the natural price of "wages", of "profit", of "rent", which constitute the natural price of those means of subsistence as of all commodities. And so *in infinitum*. The twaddle about the law of demand and supply of course does not help us out of this vicious circle. For the "natural price" or the price corresponding to the value of the commodity is supposed to exist just when demand meets supply, that is, when the price of the commodity does not stand above or below its value as a result of fluctuations in demand and supply; when, in other words, the cost-price of the commodity (or the value of the commodity supplied by the seller) is also the price which the demand pays.

||265| But as we have said: In investigating the natural price of wages Adam Smith in fact falls back—at least in certain passages—on the correct determination of the value of the commodity. On the other hand, in the chapter dealing with the natural rate or the natural price of profit he gets bogged down, so far as the real problem is concerned, in meaningless commonplaces and tautologies. In fact, at first it was the value of the commodity which he saw as regulating wages and profit and rent. Then however he sets to work the other way round (which was closer to what empirical observation showed and to everyday ideas), and now the natural price of commodities is supposed to be calculated and discovered by adding together the natural prices of wages, profit and rent. It is one of Ricardo's chief merits that he put an end to this confusion. We shall return to this point briefly when we are dealing with him.

Here there is only this further point to be noted: the *given magnitude* of value of the commodity, serving as a fund for the payment of wages and profit, appears empirically to the industrialist in the form that a definite

market-price for the commodity holds good for a shorter or longer time, in spite of all fluctuations in wages.

It is necessary therefore to call attention to this peculiar train of thought in Adam Smith's book: first the value of the commodity is examined, and in some passages correctly determined—so correctly determined that he traces out in general form the origin of surplus-value and of its specific forms, hence deriving wages and profit from this value. But then he takes the opposite course, and seeks on the contrary to deduce the value of commodities (from which he has deduced wages and profit) by adding together the natural prices of wages, profit and rent. It is this latter circumstance that is responsible for the fact that he nowhere correctly explains the influence of oscillations of wages, profit, etc., on the price of commodities—since he lacks the basis [for such an explanation]. |VI-265||

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|VIII-364|| <*Adam Smith, Value and Its Component Parts*. Smith's erroneous conception, see above, which he [develops] in spite of his originally correct view, is shown also in the following passage:

> "Rent ... enters into the composition of the *price* of commodities in a different way from wages and profit. High or low wages and profit are the *causes of high or low price; high or low rent is the effect of it*" (*Wealth of Notions*, b. I, ch. XI, [O.U.P. edition, p. 165]).// |VIII-364||

[8. Smith's Error in Resolving the Total Value of the Social Product into

Revenue. Contradictions in His Views on Gross and Net Revenue]

||VI-265| We come to another point, which is linked with the analysis of the price or value of the commodity (since the two are here still assumed to be identical). Let us assume that Adam Smith has calculated correctly—that is to say, the value of the commodity being given, he has correctly resolved it into the constituent parts in which this value is distributed among the various agents of production—but has not on the contrary tried to deduce value from the price of these constituent parts. Thus we shall leave this aside and also the one-sided way in which wages and profit are presented only as forms of distribution, and hence both as revenues in the same sense that their owners can consume. Apart from all this, Adam Smith himself raises a question, and this again shows his superiority over Ricardo—not that he finds the right solution to the question he raises, but that he raises it at all. ||266| What Adam Smith says is:

> "These three parts" (wages, profit and rent) "seem either immediately or ultimately to make up the *whole* price of corn."

(Of all commodities, Adam Smith here takes corn, because in some commodities rent does not enter into the price as a constituent part.)

> "A *fourth part*, it may he thought, is necessary for replacing the stock of the farmer, or for compensating the wear and tear of his labouring cattle, and other instruments of husbandry. But it must be considered, that the price of an instrument of husbandry, such as a labouring horse, is itself made u p of the same three p arts; the rent of the land upon which he is reared, the *labour* of tending and rearing

> him, and the profits of the farmer, who advances both the rent of this land, and the wages of this labour."

<Here profit appears as the primary form, which also includes rent.//

> "Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the *whole* price still resolves itself, either immediately or ultimately, into the same three parts of rent, labour and profit" ([*Wealth of Nations*, O.U.P. edition, p. 56], [Garnier] b. I, ch.VI).

(Here it is perfectly preposterous that all of a sudden he says labour instead of wages, while he does not put landed property or capital for rent and profit.)

But was it not equally obviously necessary to consider that just as the farmer included the price of the horse and the plough in the price of the corn, the horse breeder or the plough maker from whom the farmer bought the horse and the plough, would include in the price of the horse and the plough the price of the instruments of production (in the case of the former, perhaps another horse) and of raw materials such as feeding stuffs and iron, whereas the fund from which the horse breeder and plough maker *paid* wages and profit (and rent) consisted only in the new labour which they *added* in their sphere of production to the amount of value present in their constant capital? Since therefore Adam Smith admits, in relation to the farmer, that the price of his corn includes, besides the wages, profit and rent paid by him to himself and others, also *a fourth constituent part which is different from these*—the value of the constant capital he has used up, such as horses, agricultural implements, etc.—this must also hold good for the horse breeder and the manufacturer of agricultural implements; and it is of no avail for Adam Smith to send us from pillar to post. Incidentally, the example of the farmer is peculiarly

unhappily chosen for sending us from pillar to post, for in this case the items of constant capital include one that does not at all need to be bought from somebody else, namely the seed; and does this constituent part of the value resolve itself into wages, profit or rent for anybody?

But for the present let us proceed, and see whether Smith sticks to his view that the value of every commodity is resolvable into one or all of the sources of revenue: wages, profit, rent; and can therefore, being destined for consumption, be devoured or at any rate used up in one way or another for personal use (not industrial consumption). First ||267| another preliminary point. In the case for example of gathering berries and such like it can be assumed that their value consists entirely of wages, although here also as a rule some appliances, such as baskets and so on, are required as means of labour. But examples of this kind are quite irrelevant here, where we are dealing with capitalist production.

To start with, once more the repetition of the view expressed in Book I, Chapter VI; *Book II, Chapter II*, (b. II, *Garnier* pp. 212–13) states:

> "It has been shown ... *that the price of the greater part of commodities* resolves itself into three parts, of which one pays the wages of the labour, another the profits of the stock, and a third the rent of the land" [*Wealth of Nations*, O.U.P. edition, p. 313].

According to this, the whole value of any commodity resolves itself into revenue, and therefore falls to the share of one or another of the classes which live on this revenue, as a fund for consumption. Now since the total production of a country, each year for example, consists solely of the total of the values of the commodities produced, and since the value of each single one of these commodities is resolved into revenues, so also must their

sum, the annual product of labour, the gross revenue, be consumable annually in this form. And so immediately after this passage Smith himself raises the point:

> "Since this is the case, it has been observed, with regard to every particular 'commodity, taken separately, it must he so with regard to *all* the commodities which compose the whole annual produce of the land and labour of every country, taken complexly. *The whole price or exchangeable value* of the annual produce, must resolve itself into the same three parts, and he parcelled out among the different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land" ([ibid., p. 313], [Garnier] l.c., p. 243).

This is in fact the necessary consequence. What is true of the individual commodity is necessarily true of the total sum of commodities. But *quod non*,* says Adam. He goes on:

> "But though the whole value of the annual produce of the land and labour of every country is thus divided among, and constitutes a revenue to, 'its different inhabitants; yet, as in the rent of a private estate, we distinguish between the *gross rent* and the *neat rent*, so may we likewise in the revenue of *oil the inhabitants* of a great country" ([ibid., p. 313], [Garnier] l.c., p. 213).

(But stop! Above he told us the direct opposite: in the case of the individual farmer we can distinguish a fourth part into which the value of his wheat for example resolves itself, namely the part which merely replaces the constant capital used up. This is *directly* true for the individual farmer. But when we go further into it, what is constant capital for him resolves itself at an earlier point, in another person's hand before it became capital in his, into wages, profit, etc., in a word, into revenue. Therefore if it is true that commodities, considered in the hands of an individual producer, contain one part of the value

which does not form revenue, then it is untrue for "all the inhabitants of a great country", because what in one person's hand is constant capital derives its value from the fact that it came from another person's hand as the aggregate price of wages, profit and rent. Now he says the direct opposite.)

Adam Smith continues:

||268| "The *gross* rent of a private estate comprehends whatever is paid by the farmer; the *neat rent*, what remains free *to the landlord*, after deducting the expense of management, of repairs, and all other *necessary charges;* or what, without hurting his estate, he can afford to place in his stock reserved for immediate consumption, or to spend upon his table," etc. ... "His real wealth is in proportion, not to his *gross*, but to his *neat* rent" [ibid., pp. 313–14].

(In the first place, Smith brings in here something improper. What the farmer pays as rent to the landowner, just as what he pays as wages to the labourers, is like his own profit, part of the value or price of the commodity, which resolves itself into revenue. The question is however whether the commodity contains yet another constituent part of its value. He admits this here, As he should admit it in the case of the farmer, but that should not pre-vent the latter's corn (i.e., the price or exchange-value of his corn) from being resolvable merely into revenue. Secondly, .a note in passing. The real wealth of which an individual farmer, considered as a *farmer*, can dispose, depends on his profit. But on the other hand, as owner of commodities he can sell the whole farm, or if the laud does not belong to him, he can sell all constant capital there is on it such as draught cattle, agricultural implements, etc. The value which he can realise in this way, therefore the wealth at his disposal, is conditioned by the value, that is the size of the constant capital belonging to him. However, he can only sell this

again to another farmer, in whose hands it is not disposable wealth but constant capital. So we are still just where we were.)

"The *gross* revenue of all the inhabitants of a great country comprehends the *whole* annual produce of their land and labour" (previously we were told that this total—that is its value—resolves itself into wages, profits and rents, nothing but different forms of net revenue); "the *neat* revenue, what remains free to them, after deducting the expense of maintaining, first, their *fixed*, and, secondly, their *circulating capital*"; (so he now deducts instruments of labour and raw materials); "or what, without encroaching upon their capital, they can place in their *stock reserved for immediate consumption*." (So now we learn that the price ox exchangeable value of the total stock of commodities, just as in the case of the individual capitalist, so also for the whole country, is resolvable into a fourth part which does not form a revenue fox anyone and cannot be resolved into wages, profit or rent.)

> "The whole expense of maintaining the *fixed capitol* must evidently be excluded from the neat revenue of the society. Neither the *materials necessary* for supporting their useful machines and instruments of trade, their profitable buildings, etc., nor *the produce of the labour necessary* for fashioning those materials into the proper form, can ever make any pant of *it*. The *price of that labour may* indeed make a part of it; as the workmen so employed may place *the whole value* ||269| *of their wages in their stock reserved for immediate consumption*. But in other sorts of labour, *both the price and the produce go to this stock*; the price to that of the workmen, the produce to that of other people, whose subsistence, conveniences, and amusements, are augmented by the labour of those workmen" ([*Wealth of Nations*, O.U.P. edition, p. 314], [Garnier] l.c., pp. 214–15).*

Here Adam Smith once more shies away from the question which he has to answer—the question concerning the fourth part of the total price of the commodity, which is not resolved into either wages, profit or rent. First something that is quite wrong: with makers of machinery, as with all other industrial capitalists, the labour which fashions the raw materials of the machine, etc., into the proper form in fact consists of necessary and surplus-labour, and therefore resolves itself not only into the wages of the workmen, but also into the profit of the capitalist. But the value of the materials and the value of the instruments with which they are fashioned by the workmen into the proper form, is resolvable into neither the one nor the other. That products which are destined by their nature not for individual consumption but for industrial consumption do not enter into the stock reserved for immediate consumption, has nothing at all to do with it. Seed, for example (that portion of the corn which serves for sowing), by its nature could also enter into the stock for consumption; but by its economic function it must enter into the stock for production. But furthermore it is quite wrong to say with regard to the products destined for individual consumption that both the full price and the product enter into the *stock for consumption*. Linen, for example, when not used for sail-cloth or other productive purposes, all goes as a product into consumption. But not its price, for one part of this price replaces the Linen yarn, another part looms and so on, and only a part of the price of the linen is converted into revenue of any kind.

Just now Adam told us that the materials necessary for machines, profitable buildings, etc. “can never make any part of this neat revenue”, any more than the machines and so on fashioned from them can; presumably, therefore, they form a part of the gross revenue. Shortly afterwards, [Garnier] l. c., Chapter II of Book II, p. 220, he says on the contrary:

> "The machines and instruments of trade, etc., which compose the *fixed capital* either of an individual or of a society, make no part *either of the gross or* of *the neat revenue* of either: so *money*..." [ibid., p. 317].

Adam's twistings and turnings, his contradictions and wanderings from the point, prove that, once he had made wages, profit and rent the constituent component parts of exchangeable value or of the total price of the product, he had got himself stuck in the mud and had to get stuck.

[9. Say as Vulgariser of Smith's Theory. Say's Identification of the Social Gross Product with the Social Revenue. Attempts to Draw a Distinction between Them by Storch and Ramsay]

Say, who tries to hide his dull superficiality by repeating in absolute general phrases Smith's inconsistencies and blunders, says:

> "If we consider a nation as a whole, it has no net product; for since the *products* have only a value equal to the *costs* of their production, when these *costs* are deducted, the whole *value* of the *products* is deducted... The *annual revenue* is the *gross revenue*" [Jean-Baptiste Say]. (*Traité d'économie politique...*, Troisième édition, Paris, 4811, t. II, p. 469.)

The value of the total annual products is equal to the quantity of labour-time materialised in them. ||270| If

this aggregate value is deducted from the annual product, then in fact, so far as value is concerned, there remains no value, and by this deduction both the net revenue and the gross revenue have come to a final end But Say thinks that the annually produced values are annually consumed. Hence for the whole nation there is no net product but only a gross product. In the first place, it is not true that the annually produced values are annually consumed. This is not the case for a large part of the fixed capital. A large part of the annually produced values enters into the labour-process without entering into the process of the formation of value, that is to say without their total value being annually consumed. But in the second place: a part of the annual consumption of values consists of values that are used not as the stock for consumption, but as means of production, and which are returned to production (either in the same form or in the form of an equivalent), just as they originated in production. The second part consists of the va1ues which can enter into individual consumption over and above the first part. These form the net product.

Storch says of this trash of Say's:

> "It is [...] evident that the value of the annual product is divided partly into capital and partly into profits, and that each *of these parts of the value of the annual product goes regularly to purchase the product needed by the nation*, as much for the purpose of preserving its capital as for renewing its consumable stock" (Storch, *Cours d'économie politique*, t. V: *Considérations sur la nature du revenu national*, Paris, 1824, pp. 134–35). "Let us then imagine a family which through its own labour is self-sufficing in all its needs, such as there are so many examples of in Russia .., is the *revenue* of such a family equal to the gross product coming from its land, its capital and its industry? Can it live in its barns or its stables, eat its seed and forage, clothe itself with its labouring cattle, amuse itself with its agricultural implements? According to Mr.

> Say's thesis, all these questions would have to be answered in the affirmative" (l.c., pp. 135–36). "Mr. Say [...] regards the gross product as the revenue of society; and from this he concludes that society can consume a value equal to this product" (l.c., p. 145). "The (net) revenue of a nation is not the excess of values produced *over the totality of values consumed* (as Say, the author, imagines it to be), but only [the excess of values produced] over the *values consumed in order to produce*." Therefore, "if a nation consumes all this excess in the year it is produced, it consumes all its (net) revenue " (l.c., p. 146). "If it is admitted that the revenue of a nation is equal to its gross product, so that no *capital* is to he deducted, then it must also he admitted that this nation may consume unproductively the entire value of its annual product, without in the least reducing its future revenue" (l.c., p. 147). "*... the products which represent the* [constant] *capital of a nation are not consumable*" (l.c., p. 150).

Ramsay (*George)—An Essay on the Distribution of Wealth* (Edinburgh, 1836)—remarks on the same subject, namely, Adam Smith's fourth part of the total price, or what I call constant capital as distinct from the capital laid out in wages:

> ||271| "Mr. Ricardo," he says, "[...seems to...] consider the whole produce as divided between wages and profits, forgetting the part necessary for replacing fixed capital" (p. 174, note).

By "fixed capital" Ramsay in fact means not only instruments of production, etc., but also the raw material—in short, what I call constant capital within each sphere of production. When Ricardo speaks of the division of the product into profit and wages, he always assumes that the capital advanced to production itself and consumed in it has been deducted. Nevertheless, on the main issue Ramsay is right. Because Ricardo does not make any further examination at all of the constant part

of capital, and pays no attention to it, he makes gross errors and in particular confuses profit with surplus-value, besides errors in investigating oscillations in the rate of profit and so on.

Let us hear now what Ramsay himself says:

> "In what manner is a comparison to be instituted between the product and * the stock expended upon it?...**. With regard to a whole nation ... it is evident that all the various elements of the stock expended must he reproduced in some employment or another, otherwise the industry of the country could not go on as formerly. The raw material of manufactures, the implements used in them, as also in agriculture, the extensive machinery engaged in the former, the buildings necessary for fabricating or storing the produce, must all he parts of the total return of a country, as well as of the advances of*** [...] its master-capitalists. Therefore, the quantity of the former may he compared with that of the latter, each article being supposed placed as it were beside that of a similar kind" (l.c., pp. 137–39). Now as regards the individual capitalist, since he does net *replace* his outgoings in kind, "by far the greater number must be obtained by exchange, a certain portion of the product being necessary for this purpose. Hence each individual master-capitalist comes to look much more to the exchangeable value of his**** product than to its quantity" (l.c., pp. 145–46). "The more the *value of the product* exceeds the *value of the capital* advanced, the greater will be his**** profit. Thus, then, will he estimate it, by comparing value with value, not quantity with quantity... Profit [...] must rise or fall exactly as the proportion of the gross produce, or of *its value*, required to *replace necessary advances*, falls or rises [...] the rate of profit must depend immediately upon two circumstances*****; first, the proportion of the whole produce which' goes to the labourers; secondly, the proportion which must he set apart for replacing, either in kind or by

exchange, the fixed capital" (l.c., pp. 146–48, passim).

<What Ramsay here says on the rate of profit has to be considered in Chapter III, on profit. It is important that he rightly lays stress on this element. On the one hand what Ricardo says is correct—that the cheapening of commodities which form constant capital (which Ramsay calls fixed capital) always depreciates a part of the existing capital. This is especially true of fixed capital proper—machinery, etc. It is of no advantage to the individual capitalist that the surplus-value rises in relation to the total capital, if the rise in this rate has been due to a fall in the total value of his constant capital (which he already had before the depreciation). But this is true only to a very small extent for that part of the capital which consists of raw materials or completed commodities (which do not form part of the fixed capital). The existing amount of these that can be depreciated in this way is always only an insignificant magnitude compared with the total production. It holds good for each capitalist only to a slight extent for that part of his capital expended as circulating capital. On the other hand—since the profit is equal to the proportion of the surplus-value to the total advanced capital, and since the quantity of labour that can be absorbed depends not on the value but on the quantity of raw materials and on the efficiency of the means of production—not on their exchange-value but on their use-value—it is clear that the greater the productivity of industry in the branches whose ||272| product enters into the formation of constant capital, the smaller the outlay of constant capital required to produce a given quantity of surplus-value; consequently the greater the proportion of this surplus-value to the whole advanced capital, and therefore the higher the rate of profit for a given amount of surplus-value.//

(What Ramsay considers doubly—replacement of product by product in the process of reproduction for the whole country, and replacement of value by value for the individual capitalist —are two aspects, both of which, in relation to the individual capital, must be taken into account in the *circulation process of capital, which is at the same time its reproduction process*.)

Ramsay did not solve the real difficulty which occupied Adam Smith's attention and entangled him in all kinds of contradictions. Put plainly, it is this: The whole capital (as value) resolves itself into labour, is nothing but a certain quantity of materialised labour. The paid labour, however, is equal to the wages of the labourers, the unpaid labour is equal to the capitalists' profit. So the whole capital must be resolvable, directly or indirectly, into wages and profit. Or is labour somewhere performed which consists neither of wages nor profit, and merely has the purpose of replacing the values used up in production which are, however, the conditions of reproduction? But who performs this labour, since all labour performed by the labourer is resolved into two quantities, one which maintains his own power to produce, and the other which forms the profit of capital?

[10. Inquiry into How It Is Possible for the Annual Profit and Wages to Buy the Annual Commodities, Which Besides Profit and Wages Also Contain Constant Capital]

[(a) Impossibility of the Replacement of the Constant Capital of the Producers of

Consumption Goods through Exchange between These Producers]

To rid the problem of any spurious admixture, there is one more point to mention at the outset. When the capitalist transforms a part of his profit, of his revenue, into capital—into means of labour and materials of labour—both are paid for by that part of the labour which the labourer has performed gratis for the capitalist. Here we have a new quantity of labour forming the equivalent for a new quantity of commodities, commodities which as use-values consist of means of labour and materials of labour. This therefore enters into the accumulation of capital and presents no difficulty; we have here the growth of the constant capital beyond its previous limits, or the formation of new constant capital in excess of the amount of constant capital that already exists and must be replaced. The difficulty is the reproduction of the *existing* constant capital, not the formation of new constant capital in excess of what has to be reproduced. The new constant capital obviously originates in profit, and has existed for a moment in the form of revenue which is later transformed into capital. This part of the profit consists of *the surplus labour-time, which, even without the existence of capital, must constantly be performed by society, in order to have at its disposal, so to speak, a fund for development, which the very increase of population makes necessary*.

<There is a good explanation of constant capital, but only in so far as concerns its use-value, in Ramsay's work, p. 166, which runs:

> "... be the amount* of the gross return" (of the farmer, for example) "small or great, the quantity of it required for replacing what has been consumed in these different forms, can undergo no alteration whatsoever.** This quantity must he considered as *constant*, so

long as production is carried on the same scale."//

So we must first start from the fact: new formation of constant capital—as distinct from the reproduction of the existing constant capital—flows from profit as its source; that is, assuming on the one hand that the wages only suffice for the reproduction of labour-power, and on the other that the whole surplus-value is embraced under the category "profit", since it is the industrial capitalist who *directly appropriates* the whole surplus-value, [irrespective of] to whom and where he has to surrender some of it later.

<"... the master* [...] is the general distributor of the national revenue** [...] who undertakes to pay [...] to the labourers, the wages [...]—to the" (moneyed) "capitalist, the interest [...]—to the proprietor, the rent of his land" (Ramsay, [l.c. I, pp. 218–19).

In calling the whole surplus-value profit, we regard the capitalist: 1. as the person who immediately appropriates the whole surplus-value created; 2. as the distributor of that surplus-value between himself, the moneyed capitalist, and the proprietor of the soil.//

||VII-273| That this new constant capital arises from profit however means nothing but that it is due to a part of the surplus-labour of the labourers. Just as the savage, in addition to the time he needs for hunting, must necessarily use some time for making his bow; or just as in patriarchal agriculture, the peasant, in addition to the time spent in tilling the soil, must use a certain quantity of labour-time in producing most of his implements.

But the question here is: Who is it that labours in order to replace the equivalent of the constant capital already expended in production? The part of the labour which the labourer performs for himself replaces his wages, or, considered in relation to the whole of production, creates

his wages. On the other hand, his surplus-labour which forms the profit is in part a consumption fund for the capitalist, and in part is transformed into additional capital. But the capitalist does not replace the capital already used up in his own production out of this surplus-labour or profit. <Were this the case, the surplus-value would not be a fund for new capital formation, but for the maintenance of the old capital.// But the necessary labour which forms the wages and the surplus-labour which forms the profit make up the whole working-day, and no other labour is performed in addition to these. (The contingency of the capitalist's labour of superintendence is included in wages. In this aspect he is the wage-worker, even though not of another capitalist, yet of his own capital.) What then is the source, the labour, that replaces the constant capital?

The part of the capital expended in wages is replaced (leaving surplus-labour out of account) by new production. The labourer consumes the wages, but he adds as much new labour as he has destroyed of old labour; and if we consider the whole working class, without allowing the division of labour to confuse us, he reproduces not only the same value but the same use-values, so that, according to the productivity of his labour, the same value, the same quantity of labour, is reproduced in a greater or smaller quantity of these same use-values.

If we take society at any one moment, there exists simultaneously in all spheres of production, even though in very different proportions, a definite constant capital—presupposed as a necessary condition of production—that once for all belongs to production and must be given back to it, as seed must be given back to the land, It is true that the *value* of this constant part can fall or rise, depending on whether the commodities of which it is composed have to be reproduced at less or greater cost. This *change in value*, however, never alters the fact that in the process of

production, into which it enters as a condition of production, it is a postulated value which must reappear in the value of the product. Therefore this change of value of the constant capital can here be ignored. In all circumstances it is a definite quantity of *past, materialised labour*, which passes into the value of the product as a determining factor. In order to bring out more clearly the nature of the problem, let us therefore assume that the production costs or the value of the constant part of the capital similarly remain unchanged, remain constant. It also makes no difference that for example the whole value of the constant capital may not pass into the products in a single year, but, as is the case with fixed capital, only passes into the aggregate products of a series of years. For the question here centres on that part of the constant capital which is actually consumed within the year, and therefore also must be replaced within the year.

The question of the reproduction of the constant capital clearly belongs to the section on the reproduction process or circulation process of capital—which however is no reason why the kernel of the matter should not be examined here.

||274| Let us first take the labourer's wages. He receives, then, a certain sum of money in which say ten hours' labour are materialised, if he works 12 hours for the capitalist. These wages are converted into means of subsistence. These means of subsistence are all commodities. Assume that the price of these commodities is equal to their value, But in the value of these commodities there is one component part which covers the value of the raw materials they contain and the means of production used up in them. All the component parts of the value of these commodities taken together, contain, however, like the wages spent by the labourer, only ten hours' labour. Let us assume that two-thirds of the value of these commodities consists of the value of the

constant capital they contain, and one-third, on the other hand, of the labour which has finally made the product into a finished article for consumption. Thus the labourer, with his ten hours of living labour, replaces two-thirds of constant capital and one-third of living labour (added to the article in the course of the year). If there were no constant capital in the means of subsistence, the commodities, which he buys, the raw material in them would have cost nothing, and no instrument of labour would have been required to make them. In that case there are two possibilities. Either the commodities, as before, would contain ten hours' labour; then the labourer replaces ten hours' living labour by ten hours' living labour. Or the same quantity of use-values into which his wages are converted and which he needed for the reproduction of his. labour-power would have cost only $3\,{}^{1}/_{3}$ hours' labour (with no instrument of labour and no raw material which is itself a product of labour). In this case the labourer has only to perform $3\,{}^{1}/_{3}$ hours' necessary labour, and his wages would in fact fall to $3\,{}^{1}/_{3}$ [hours'] materialised labour-time.

Let us assume that the commodity is linen: 12 yards (the actual price does not matter here)=36 shillings or £1.16.0. Of this, let one-third be labour added, two-thirds for raw material (yarn) and wear and tear of machinery, Let the necessary labour-time= 0 hours; the surplus-labour therefore=2. Let one hour's labour, expressed in money,= 1 shilling. In this case the 12 hours' labour =12 shillings, wages=10 shillings, profit=2 shillings. Let us assume that labourer and capitalist spent the whole of their wages and profit, that is 12 shillings (the total value that has been added to the raw material and machinery, the whole quantity of new labour-time materialised in the transformation of yarn into linen), on linen itself as a consumption article. (And it is possible that subsequently more than one labour day will be spent on their own product.) A yard of linen costs 3 shillings. With

the 12 shillings labourer and capitalist together—adding wages and profit together—can only buy four yards of linen. These four yards of linen contain 12 hours' labour, of which however only 4 are newly-added labour, 8 representing the labour realised in the constant capital. With the 12 hours' labour wages and profit together buy only one-third of their total product, because two-thirds of this total product consist of constant capital. The 12 hours' labour are divisible into 4+8, of which 4 replace themselves, while 8—independently of the labour added in the weaving process—replace such labour as entered into the weaving process in already materialised form, as yarn and machinery.

In regard to that part of the product, of the commodity, which exchanges against or is bought by wages and profit as an article of consumption (or for any other purpose, even reproduction, for the purpose for which the commodity is bought makes no difference to the transaction), it is therefore clear that the part of the value of the product which is formed by the constant capital is paid for from the fund of newly-added labour, which is resolved into wages and profit. How much or how little of constant capital and how much or how little of the labour added in the last production process is bought by wages and profit combined, in what proportions the labour last added and in what proportions the labour realised in constant capital is paid for, depends on the original proportions in which they entered as component parts of value into the finished commodity. To simplify matters we assume the proportion of two-thirds labour realised in constant capital to one-third newly-added labour.

||275| Now two things are clear:

First. The proportion we have assumed in the case of the linen—that is, in the case where labourer and capitalist realise wages and profit in the commodities they have themselves produced, when they buy back a part of

their product—this proportion remains the same when they expend the same quantity of value on other products. On the assumption that every commodity contains two-thirds of constant capital and one-third newly-added labour, wages and profit together could always only purchase one-third of the product. The 12 hours' labour=four yards of linen. If these four yards of linen are transformed into money, then they exist as 12 shillings. If these 12 shillings are retransformed into some commodity other than linen, they buy a commodity of the value of 12 hours' labour, of which 4 are newly-added labour, 8 labour realised in constant capital. Consequently, this proportion holds good generally provided the other commodities contain the same original proportion of labour last added and of labour realised in constant capital as linen.

Secondly. If the daily newly-added labour= 12 hours, of these 12 hours only 4 replace themselves—that is, the living, newly-added labour; while 8 pay for the labour realised in the constant capital. But who pays for the 8 hours of living labour which are not replaced by living labour? It is precisely the 8 hours of realised labour contained in the constant capital that are exchanged for the 8 hours of living labour.

There is not the slightest doubt, therefore, that the part of the finished commodity which is bought by wages and profit combined—which together however are nothing but the total quantity of labour newly added to the constant capital—is replaced in all its elements: the newly-added labour contained in this part as well as the quantity of labour contained in the constant capital. Further, there is not the slightest doubt that the labour contained in the constant capital has here received its equivalent from the fund of living labour newly added to it.

But now comes the difficulty. The *total product of* the 12 hours of weaving labour—and this product is absolutely different from what this weaving labour has itself produced—is 12 yards of linen, of the value of 36 hours' labour or 36s. But wages and profit together, or the total labour-time of 12 hours can buy back *only* 12 of these 36 hours' labour, or of the total product only 4 yards, not a piece more. What happens to the other 8 yards? (*Forcade, Proudhon.*)

First we note that the 8 yards represent nothing but the constant capital advanced. It has however been given a changed form of use-value. It exists as a new product, no longer as yarn, loom, etc., but as linen. These 8 yards of linen, just like the 4 others which have been bought by wages and profit, contain—considered as value—one-third labour added in the weaving process, and two-thirds pre-existing labour materialised in the constant capital. In the case of the 4 yards previously discussed one-third of the newly-added labour covered the weaving labour contained in these 4 yards, that is, covered itself; two-thirds of the weaving labour on the other hand covered the constant capital the 4 yards contained. But now we have it the other way round: in the 8 yards of linen, two-thirds of the constant capital covers the constant capital they contain, and one-third of the constant capital covers the newly-added labour.

What then happens to the 8 yards of linen, which have absorbed the value of the whole constant capital which has been maintained during the 12 hours' weaving labour, or which went into the production process, but is now in the form of a product destined for direct, individual (not industrial) consumption?

The 8 yards belong to the capitalist. Were he to consume them himself, besides the two-thirds of a yard representing his profit, ||276| then he could not reproduce the constant capital contained in the 12 hours'

weaving process; in general—with regard to the capital contained in this 12 hours' process—he is no longer able to function as a capitalist. He therefore sells the 8 yards of linen, transforming them into money to the amount of 24 shillings, or 24 hours' labour. But here we come to the difficulty. To whom does he sell them? Into whose money does he transform them? But we shall return to this in a moment. Let us first have a look at the further process.

When he has transformed into money, sold, converted into the form of exchange-value, the 8 yards of linen—that is to say, the part of the value of his product which is equal to the constant capital he advanced—he buys again with it commodities of the same kind (with regard to their use-value) as those which originally composed his constant capital. He buys yarn and looms and so on. He divides the 24 shillings between raw materials and means of production, in the proportions in which these are required for the manufacture of new linen.

His constant capital is therefore, as a use-value, replaced by new products of the same labour as that of which it originally consisted. The capitalist has reproduced the constant capital. This new yarn, looms, etc., however (on the assumption with which we began) likewise consist of two-thirds of constant capital and one-third of newly-added labour. While the first 4 yards of linen (newly-added labour and constant capital) have thus been paid for exclusively by newly-added labour, these 8 yards of linen are replaced by their own newly-produced elements of production, which consist partly of newly-added labour and partly of constant capital. Hence it seems that at least a part of the constant capital exchanges for constant capital in another form. The replacement of the products is real, because at the same time as the yarn is being worked up into linen, flax is being worked up into yarn and flax seed into flax; in the same way, while the loom is wearing out, a new loom is

being made; and similarly, while the latter is being manufactured, new wood and iron is being produced. The elements are produced in one sphere of production at the same time as they are being worked up in the others. But in all these *simultaneous* processes of production, although each of them represents a higher stage of the product, constant capital is simultaneously being used up in varying proportions.

The value of the finished product, the linen, therefore resolves itself into two parts, of which one repurchases the simultaneously produced elements of constant capital, while the other is expended on articles of consumption. For the sake of simplification no account is here taken of the retransformation of part of the profit into capital; that is, as throughout this inquiry, it is assumed that wages plus profit, or the total of the labour added to the constant capital, are consumed as revenue.

The only question left is: Who buys the part of the total product with whose value the elements of constant capital that have meanwhile been newly produced are again bought? Who buys the 8 yards of linen? We assume, in order to leave no loopholes, that it is a type of linen specially intended for individual consumption, and is not, like perhaps sail-cloth, for industrial consumption. Here also the purely intermediary operations of commerce—so far as they are only mediatory—must be left completely out of account. For example, if the 8 yards of linen were sold to a merchant, and even if they pass through the hands of not one but twenty merchants and are twenty times bought and resold, then at the twentieth time they must at last be sold by the merchant to the actual consumer, who therefore actually pays the producer or the *last*, the twentieth merchant, who as far as the consumer is concerned represents the *first merchant*, that is to say, the actual producer. These intermediary transactions postpone or, if you like, mediate the final transaction, but they do not explain it. The question

remains exactly the same whether it is: who buys the 8 yards of linen from the linen manufacturer, or: ||277| who buys them from the twentieth merchant into whose hand they have come through a series of exchanges?

The 8 yards of linen, just as the first 4 yards, must pass into the fund for consumption. That is to say, they can only be paid for out of wages and profit, for these are the only sources of revenue for the producers, who figure here as the only consumers. The 8 yards of linen contain 24 hours' labour. Let us now assume (taking 12 hours as the generally valid normal working-day) that labourer and capitalist in two other branches spend their whole wages and profit on linen, as labourer and capitalist in the weaving industry have done with their whole day's labour (the labourer his 10 hours, the capitalist the 2 hours' surplus-value made on his labourer, that is, on 10 hours). Then the linen weaver would have sold the 8 yards, the *value* of his constant capital for 12 yards would be replaced, and this value could again be spent on the particular commodities of which the constant capital consists, *because* these commodities, yarn, loom, etc., available on the market, have been produced at the same time as yarn and loom were being worked up into linen. *The simultaneous production* of yarn and loom as products alongside the production process into which they enter as products but from which they do not emerge as products, explains how it is that the part of the *value* of the linen equal to the value of the material worked up into it—[such as yarn], loom, etc.—can be again transformed into yarn, loom, etc. If this production of the elements of linen did not proceed simultaneously with the production of the linen itself, the 8 yards of linen, even when they have been sold and transformed into money, could not be retransformed once more from money into the constant elements of linen.*

On the other hand, however, although there may be new yarn, new looms, etc., on the market, and therefore production of new yarn and looms had taken place while finished yarn and finished loom were being transformed into linen—in spite of the simultaneous production of yarn and loom alongside the production of the linen—the 8 yards of linen cannot be retransformed into these material elements of constant capital for the weaving industry before they are sold, before they are converted into money. The continuous real production of the elements of linen, running side by side with the production of linen itself, therefore does not yet explain to us the reproduction of the constant capital, before we know whence comes the fund to buy the 8 yards of linen, to give them back the form of money, of independent exchange-value.

In order to solve this last difficulty we have assumed that B and C—which can stand for shoemaker and butcher—have spent their total wages and profit, that is, the 24 hours' labour-time which they have at their disposal, entirely on linen, And this gets us over our difficulty with A, the linen weaver. His whole product, the 12 yards of linen in which 36 hours' labour is materialised, has been replaced by wages and profit alone—that is, by the whole of the labour-time newly added to the constant capital in the spheres of production A, B and C. All the labour-time contained in the linen, both that already existing in its constant capital and that newly added in the weaving process, has been exchanged against labour-time which did not previously exist as constant capital in any sphere of production, but which was added simultaneously to the constant capital in the three production spheres A, B and C, *in the last stage of production*.

Though therefore it is still wrong to say that the original value of the linen was composed of wages and profit alone—since however it was made up of the value equal to

the total of wages and profit, 12 hours' weaving, and the 24 hours' labour which, independently of the weaving process, was contained in the yarn, loom, in a word, the constant capital—it would on the other hand be correct to say that the equivalent of the 12 yards of linen, the 36s, for which they have been sold, is composed of wages and profit alone; that is, not only the weaving labour but also the labour contained in yarn and loom are replaced entirely by newly-added labour, namely 12 hours' labour in A, 12 hours in B and 12 hours in C.

The value of the commodity sold is itself divided ||278| into newly-added labour (wages and profit) and pre-existing labour (value of the constant capital); that is the value for the seller (in fact [the value] of the commodity). On the other hand, the purchasing value, the equivalent given by the buyer to the seller, is made up entirely of newly-added labour, wages and profit. But as every commodity, before it is sold, is a commodity for sale and becomes money through a mere change of form, so every commodity, after it has been sold, would be made up of other component parts of value than it is composed of as a buying commodity (as money), which is absurd. Further: the labour performed by society for example in one year would not only cover itself—so that if the total quantity of commodities is divided into two equal parts, one half of the year's labour would form an equivalent for the other half—but the one-third of the labour, which forms the current year's labour in the total labour contained in the annual product, would cover three-thirds of the labour, would be equal to a magnitude three times greater than itself. This is still more absurd.

In the above example we have shifted the difficulty, pushed it on from A to B and C. But this has only increased the difficulty, not made it simpler. *In the first place*, in dealing with A we had the way out that 4 yards, containing as much labour-time as had been added to the

yarn, that is, the total wages and profit in A, were consumed in linen itself, in the product of A's own labour. With B and G this is not the case, since they consume the total labour-time added by them, their total wages and profit, in the product of sphere A, in linen, and so not in the product of B or C. They have therefore to sell not only the part of their product representing the 24 hours' labour of constant capital, but also the part of their product which represents the 12 hours' labour newly added to the constant capital. B must sell 36 hours' labour, not only 24 like A. C is in same position as B. *Secondly*, in order to see A's constant capital, to get it off his hands and transform it into money, we need the whole newly-added labour not only of B but also of C. *Thirdly*, B and C cannot sell any part of their product to A, since the whole part of A which constitutes revenue has already been expended in A itself by the producers of A. Nor can they replace the constant part of A by any part of their own product, since on the assumption we have made their products are not production elements for A but commodities which enter into individual consumption. The difficulty increases at each further step.

In order to exchange the 36 hours contained in A's product (that is, two-thirds or 24 hours in constant capital, one-third or 12 hours in newly-added labour) entirely for labour added to constant capital, A's wages and profit—the 12 hours' labour added in A—one-third of the product had to be consumed by A itself. The other two-thirds of the total product=24 hours, represented the value contained in the constant capital. This value was exchanged for the total quantity of wages and profit or newly-added labour in B and C. But in order that B and C should be able, with the 24 hours in their products that make up their wages [and profit], to buy linen, they must sell these 24 hours in the form of their own products—and in addition to replace the constant capital they must sell

48 hours of their own products. They have therefore to sell products of B and C to the amount of 72 hours, in exchange for the total quantity of profit and wages in the other spheres D, E, etc.; and this means (with a normal 12-hour day) that 12'6 hours (=72) or the labour added in six other spheres of production must be realised in the products B and C; ||279| that is, the profit and wages or the total labour added to their respective constant capital in D, E, F, G, H, I.

In these circumstances the value of the total product of B+C would be paid for entirely in newly-added labour, that is, the aggregate wages and profit, in production spheres D, E, F, G, H, I. But in these six spheres the total product would then have to be sold (since no part of these products would be consumed by their producers themselves, as they have already put their whole revenue into products B and C), and no part of it could be accounted for within their own spheres; that is, the product of 6×36 hours' labour=216, of which 144 represent constant capital and 72 (6×12) newly-added labour. Now in order in turn to transform the products of D, etc., similarly into wages and profit, that is, into newly-added labour, all the newly-added labour in the 18 spheres K^1—K^{18}, that is to say, the total sum of wages and profit in these 18 spheres, must be entirely expended on the products of spheres D, E, F, G, H, I. These 18 spheres K^1—K^{18} would have to sell—since they consumed none of their products themselves, but had already spent their entire revenue in the 6 spheres D—I—18×36 hours' labour or 648 hours' labour, of which 18×12 or 216 are in newly-added labour, and 432 in labour contained in the constant capital. In order therefore to transform this total product of K^1—K^{18} into the labour added or total wages and profit in other spheres, the labour added in the spheres L^1—$L5^4$ would be required; that is to say, 12×54=648 hours' labour. Spheres L^1—L^{54}, in order to exchange their total product which is equal to 1,944 hours (of which

648=12×54 is the newly-added labour and 1,296 hours' labour is the labour contained in the constant capital) for newly-added labour, would have to absorb the newly-added labour of spheres M^1 —M^{162}, for 162×12=1,944; these in their turn must absorb the newly-added labour of spheres N^1 —N^{486} and so on.

This is the beautiful progression *in infinitum* which we arrive at if all products are resolved into wages and profit, newly-added labour—if not only the labour added in the commodity but also its constant capital have to be paid for by newly-added labour in another sphere of production.

In order to convert the labour-time contained in product A, 36 hours (one-third newly-added labour, two-thirds constant capital), into newly-added labour, that is, to have it paid for by wages and profit, we at first assumed that one-third of the product (whose value is equal to the total of wages and profit) was consumed or bought—which is the same thing—by the producers of A themselves. This was the progress.

1. *Production sphere A*. Product=36 hours' labour. *24* hours' labour, constant capital. 12 hours' labour, newly added. One-third of the product consumed by the shareholders of the 12 hours, wages and profit, labourer and capitalist. There remain to be sold two-thirds of the product of A, equivalent to the 24 hours' labour contained in the constant capital.

2. *Production spheres* B^1–B^2. Product=*72* hours' labour; of which *24*, labour added, 48, constant capital. They buy with it the two-thirds of A's product, replacing the value of A's constant capital. But they have now to sell the 72 hours' labour, of which the value of their total product consists.

3. *Production spheres* C^1–C^6. Product=*216* hours' labour; of which *72* added labour (wages and profit). They buy with it the entire product of B^1—B^2, But they have now to sell 216, of which 144 are constant capital.

||280| 4. *Production spheres* D^1–D^{18} Product=648 hours' labour, 216 labour added, and 432 constant capital. With the labour added they buy the total product of production spheres C^1–C^6=216. But they have to sell 648.

5. *Production spheres* E^1–E^{54}. Product=1,944 hours' labour; 648 labour added and 1,296 constant capital. They buy the total product of production spheres D^1–D^{18}. But they have to sell 1,944.

6. *Production spheres* F^1–F^{162}. *Product*=5,832, of which 1,944 added labour and 3,888 constant capital. With the 1,944 they buy the product of E^1–E^{54}. They have to sell 5,832.

7. *Production spheres* G^1–G^{486}.

In order to simplify the problem, only one working-day of 12 hours is assumed throughout, in every production sphere, divided between capitalist and labourer. It does not solve the problem to increase the number of working-days, but complicates it needlessly.

So, to get a clearer picture of the law of this series:

1. *A*. *Product*=36 hours. Constant capital=24 hours. *Total of wages and profit or newly-added labour*=12 hours. The latter is consumed by capital and labour in the form of the product of A itself. A's product to be sold, equal to its constant capital,=24 hours.

2. B^1–B^2. We need here two days' labour, that is, 2 production spheres, to pay for A's 24 hours.

Product=2×36, or 72 hours, of which 24 hours labour and 48 constant capital.

Product of B^1 and B^2 to be sold=72 hours' labour, no part of it consumed in their own spheres.

6. *C^1–C^6*. We need here 6 days' labour, because 72=12×6, and the total product of B^1—B^2 has to be consumed by the labour added in C1–C^6. Product=6×36=216 hours' labour, of which 72 newly added, 144 constant capital.

18. *D^1–D^{18}*. We need here 18 days' labour because 216=12×18 so, since there is two-thirds constant capital per day's labour, 18×36 is the total product=648 (432 constant capital).

And so on.

The figures 1, 2, [etc.] placed at the beginning of paragraphs signify the working-days or the different kinds of labour in different production spheres, as we assumed one working-day in each sphere.

Therefore: 1. *A. Product=36 hours*. Added labour *12* hours. *Product to be sold* (constant capital)=24 hours.

Or:

1. *A. Product to be sold or constant capital*=24 hours. Total product 36 hours. Labour added 12 *hours. Consumed in A itself.*

2. *B^1–B^2*. Buys with added labour=24 hours A. *Constant capital* 48 hours. *Total product* 72 hours.

6. *C^1–C^6*. Buys with added labour *72* hours B^1–B^2 (=12×6). *Constant capital* 144, total product=216. Etc.

||281| Therefore:

1. *A*. Product=3 working-days (36 hours). 12 hours added labour. *24 hours* constant capital.

2. B^{1-2}. *Product*=2×3=6 working-days (72 hours). Added labour=*12×2=24 hours*. *Constant capital*=48=2×24 hours.

6. C^{1-6}. *Product*=3×6 working-days=3×72 hours=216 hours' labour. *Added labour*=6×12 hours (=72). *Constant capital*=2×72=144.

18. D^{1-18} *Product*=3×3×6 working-days= 3×18 working-days (=54 working-days)=648 hours' labour. Added labour=12×18=216. Constant capital=432 hours' labour.

54. E^{1-54} *Product*=3×54 working-days=162 working-days=1,944 hours' labour. Added labour=54 working-days=648 hours' labour; 1,296 constant capital.

162. F^{1-162}. *Product*=3×162 working-days (=486)=5,832 hours' labour, of which 162 working-days or 1,944 hours' labour are added labour, and 3,888 constant capital.

486. G^{1-486}. *Product=3×486 working-days*, of which 486 working-days or 5,832 hours' labour are labour added, and 11,664 constant capital.

Etc.

Here we would already have the goodly total of 1+2+6+18+54+162+486 different working-days in different production spheres= 729 different production spheres, which already implies a considerably ramified society.

In order to sell the total product of A (where only 12 hours' labour=1 working-day is added to the constant capital of 2 working-days, and wages and profit consume their own product), that is, only the 24 hours' constant capital—and moreover to sell it again entirely for newly-added labour, for wages and profit—we need 2 working-days in B^1 and B^2 which however require a constant capital of 4 working-days, so that the total product of B^{1-2}=6 working-days. These must be *all* sold, because *from here on* it is assumed that each subsequent sphere does not consume any of its own product, but spends its profit and wages only on the product of the preceding spheres. In order to replace these 6 working-days of the product of B^{1-2}, 6 working-days are necessary, which however presuppose a constant capital of 12 working-days. The total product of C^{1-6} therefore=18 working-days. In order to replace these by labour, 18 working-days D^{1-18} are necessary, which however presuppose a constant capital of 36 working-days; so that the product=54 working-days. To replace these, 54 working-days are needed, E^{1-54}, which presuppose a constant capital of 108. Product= 162 working-days. Finally, to replace these, 162 working-days are needed, which however presuppose a constant capital of 324 working-days; that is, total product 486 working-days. This is F^{1-162}. Finally, to replace this product of F^{1-162}, we need 486 working-days (G^{1-486}), which however presuppose a constant capital of 972 working-days. So the total product of G^{1-486}=972+486=1,458 working-days.

But now let us assume that with sphere G we reach an end to the shifting; and ||282| our progression would soon bring us to an end in any society. How would the matter stand then? We have a product comprising 1,458 working-days of which 486 newly-added labour and 972 labour realised in constant capital. The 486 working-days can then be spent in the previous sphere F^{1-162}. But what is to buy the 972 working-days contained in the

constant capital? Beyond G^{486} there is no new sphere of production and therefore no new sphere of exchange. In the spheres that lie behind it, except for F^{1-162}, there is nothing to be ex-changed. Moreover, G^{1-486} has expended all its wages and profit up to the last centime in F^{1-162}. Therefore the 972 working-days realised in the total product of G^{1-486}, which are the equivalent of the constant capital it contains, remain unsaleable. It has thus not helped us at all to shift through nearly 800 branches of production the difficulty of the 8 yards of linen of sphere A, or the 24 hours' labour, the 2 working-days, representing in its product the value of the constant capital.

It is no use imagining that the reckoning would have a different result if perhaps A did not spend its whole wages and profits in linen, but spent a part of it on the product of B and C. The limit of the outlays, the hours of labour added which are contained in A, B, C, can always only command a labour-time equal to themselves. If they buy more of one product, then they buy less of the other. It would only confuse the reckoning, but in no way alter result.

What then is to be done? In the above calculation we find:

	Working days	Labour added	constant capital
A Product=	3	1	2
B " =	6	2	4
C " =	18	6	12
D " =	54	18	36
E " =	162	54	108
F " =	486	162	324
Total:	729	243	486

(one-third of A's product consumed by A itself)

If the last 324 working-days ([F's] constant capital) in this account were equal to the constant capital which the farmer replaces for himself, subtracts from his product and returns to the land—and so has not to be paid for by new labour—then the account would balance. The riddle, however, would only he solved because a part of the constant capital replaces itself.

In fact therefore we have had consumed 243 working-days, corresponding to the newly-added labour, The value of the final product, 486 working-days, is equal to the value of the total constant capital contained in A—F, which is also 486 working-days. In order to account for this, we assume 486 days of new labour in G, from which however the only satisfaction we get is that instead of having to account for a constant capital of 486 days, ||283| we have to account for a constant capital of 972 working-days in G's product, which is equal to 1,458 working-days (972 constant capital+486 labour). If now we want to get out of our difficulty by supposing that G works without constant capital, so that the product is only equal to the 486 days of newly added labour, the account would of course be cleared; but we would have solved the problem of who pays for the part of the value contained in the product which forms the constant capital, by assuming a case in which the constant capital equals nil and hence forms no part of the value of the product.

In order to sell A's total product entirely for newly-added labour, in order to resolve it into profit and wages, *the whole of the labour added in A, B and C* must be spent on the labour realised in product A. Likewise to sell the total product of B+C, all labour newly added in D^{1}—D^{18} is needed. Similarly, to buy the total product of D^{1}—D^{18}, all labour added in E^{1-54}. To buy the total product of E^{1-54}, all labour added in F^{1-162}. And finally, Ito buy] the total product of F^{1-162}, the total labour-time added in G^{1-486}. At the end, in these 486 production spheres represented by G^{1-486}, the total labour-time added is equal

to the total product of the 162 spheres F, and this total product which is replaced by labour is as large as the constant capital in A, B^{1-2}, C^{1-6}, D^{1-18}, E^{1-54}, F^{1-162}, But the constant capital of sphere G, twice the size of the constant capital used in A —F^{162}, is not replaced and cannot be replaced.

In fact we have found, on our assumption that in all production spheres the proportion of the newly-added to the pre-existing labour is 1:2, that always twice [as many] new production spheres [as all preceding ones taken together] must use all their new labour to buy the product of the preceding spheres —the labour added of A and B^{1-2}, to buy A's total product; the labour added of 18 D or D^{1-18} (2×9), to buy the product of C^{1-6}, and so on. In short, that twice as much newly-added labour as the product itself contains is always needed, so that there must be twice as much newly-added labour in the last production sphere G as there actually is, in order to buy the total product. In a word, we find in the result of G what was already there in our starting-point A, that the newly-added labour cannot buy any greater quantity of its own product than it itself amounts to and that it *cannot* buy the labour pre-existing in the constant capital.

It is therefore impossible for the value of the revenue to cover the value of the total product. But since, apart from the revenue, *no fund exists from which this product sold by producers to (individual) consumers can be paid for*, it is impossible for the value of the total product, minus the value of the revenue, ever to be sold, paid for or (individually) consumed. On the other hand it is necessary for every product to be sold and paid for at its price (on the assumption that price is here equal to value).

For that matter, it might have been foreseen from the outset that introducing the acts of exchange, sales and purchases between different commodities or the products of different production spheres, would not bring us a step

forward. In A, the first commodity, the linen, we had one-third or ||283a| 12 hours of newly-added labour and 2×12 or 24 hours of pre-existing labour in the [constant] capital. Wages and profit could only repurchase that part of the product of commodity A—and therefore also of any equivalent of commodity A in any other product—which is equal to 12 hours' labour. They could not buy back their own constant capital of 24 hours, hence they could not repurchase the equivalent of this constant capital in any other commodity either.

It is possible for the relation of added labour to constant capital to be different in commodity B. But however different the proportion may be of constant capital to newly-added labour in the various spheres of production, we can calculate the average, and so say that in the product of the whole society or of the whole capitalist class, in the total product of capital, the newly-added labour is equal to *a*, the labour pre-existing as constant capital is equal to *b*. In other words, the proportion of 1 : 2 which we assumed in A, the linen, is only a symbolical expression of *a : b* and is not intended to imply anything more than that a definite and definable relation of some kind or other exists between these two elements—the living labour added in the current year or in any other period selected, and the past labour preexisting as constant capital. If the 12 hours added to the yarn buy not only linen, but for example linen only to the amount of 4 hours, then they could buy some other product to the amount of 8 hours, but they could never buy more than 12 hours altogether; and if they buy another product to the value of 8 hours, then 32 hours' linen in all must be sold by A. The example A therefore holds good for the total capital of the entire society, and though the problem can be complicated by introducing the exchange of different commodities, the problem itself remains unchanged.

Let us assume that A is the total product of society: then one-third of this total product can be bought by the producers for their own consumption, bought and paid for with the total of their wages and their profits, equal to the total newly-added labour, the amount of their aggregate revenue. They have no fund with which to pay for, to buy and consume, the other two-thirds. Just as the newly-added labour, the one-third which consists of profit and wages, is itself covered by its own product, or withdraws only that part of the value of the product which contains one-third of the total labour, newly-added labour or its equivalent, so must the two-thirds of pre-existing labour be covered by its own product. That is to say, the constant capital remains equal to itself and replaces itself out of that part of the value which represents the constant capital in the total product. The exchange between various commodities, the series of purchases and sales between different spheres of production, brings about a change in form only in the sense that the constant capitals in the various production spheres mutually replace each other in the proportion in which they were originally contained in them.

We must now examine this more closely. |283a||

[(b) Impossibility of Replacing the Whole Constant Capital of society by Means of Exchange between the Producers of Articles of Consumption and the Producers of Means of Production]

||283b| This view—that the annual product of the country is divided into wages and profits (rents, interest, etc., included in the latter)—is expressed by Adam Smith, Book II, Chapter II, in examining the circulation of money and the credit system (on this, compare later *Tooke*), where he says:

> "The circulation of every country may be considered as divided into two different branches; the circulation of the dealers with one another, and the circulation between the dealers and the consumers." (Garnier explains that by dealers Adam Smith here means "all traders, manufacturers, artisans, and so on; in a word, the agents of the trade and industry of a country"). "Though the same pieces of money, whether paper or metal, may be employed sometimes in the one circulation and sometimes in the other; yet as both are constantly going on at the same time, each requires *a* certain stock of money, of one kind or another, to carry it on, *The value of the goods circulated between the different dealers never can exceed the value of those circulated between the dealers and the consumers; whatever is bought by the dealers being ultimately destined to be sold to the consumers*" ([*Wealth of Nations*, O.U.P. edition, Vol. I, pp. 358–59], [Garnier] t. II, b. II, ch. II, pp. 292–93).

To this, as well as Tooke, we must come back later.

Let us return to our example. The day's product of A, a linen weaving factory, was equal to 12 yards=36s.=36 hours' labour, of which 12 are newly-added labour divisible into wages and profit, and 24 hours or 2 days equal to the value of the constant capital, which now however, instead of the old form of yarn and loom, exists in the form of linen, but in a quantity of linen equal to 24 hours=24s, In this there is the same quantity of labour as in the yarn and loom which it replaces, and with it therefore the same quantity of yarn and loom can be bought again (on the assumption that the value of yarn and loom has remained the same, that the productivity of labour in these branches of industry has not altered). The spinner and the loom maker must sell the whole of their year's or their day's product (which for our purpose here is the same thing) to the weaver, for he is the only person

for whom their commodity has use-value, He is their only consumer.

But if the weaver's constant capital is equal to 2 working-days (his daily consumed constant capital), then for one working-day of the weaver there are two working-days of spinner and machine maker—2 working-days which may themselves be divided in very different proportions into labour added and constant capital. But the total daily product of spinner and machine maker together (assuming that the machine maker makes only looms)—constant capital and added labour together—cannot amount to more than 2 days' labour while that of the weaver, because of the 12 hours' labour newly added by him, amounts to 3 working-days. It is possible that spinner and machine maker consume as much living labour-time as the weaver. Then the labour-time contained in their constant capital must be smaller. However that may be, they can in no case use the same quantity of labour (*summa summarum*) materialised and living, as the weaver. It would be possible for the weaver to use proportionately less living labour-time than the spinner (the latter for example would certainly use less than the flax-grower); in that case the excess of his constant capital over the variable part of his capital must be so much greater.

||284| The weaver's constant capital thus replaces the entire capital of the spinner and the loom maker, not only their own constant capital but the labour newly added in the spinning process and in the manufacture of machines. The new constant capital therefore here replaces other constant capitals completely and, besides that, the total amount of the labour newly added to them. By the sale of their commodities to the weaver, spinner and loom maker have not only replaced their constant capital, but have received payment for their newly-added labour. His constant capital replaces for them their own constant capital and realises their revenue

(wages and profit together). In so far as the weaver's constant capital replaces for them only their own constant capital, which they have handed over to him in the forms of yarn and loom, constant capital in one form has only been exchanged for constant capital in another form. There has in fact been no change of value in the constant capital.

Let us now go further back. The spinner's product is divided into two parts, flax, spindles, coal, etc., in a word his constant capital, and the newly-added labour; similarly for the machine maker's total product. When the spinner replaces his constant capital, he pays not only for the total capital of the spindle manufacturer, etc., but also for that of the flax-grower. His constant capital pays for the one part of their constant capital plus the labour added. Then as for the flax-grower, his constant capital—after deducting agricultural implements, etc.—consists of seed, manure, etc. We will assume—as in agriculture must always be the case, more or less directly—that this part of the farmer's constant capital is an annual deduction from his own product, which he must return each year, out of his own product, to the land —that is, to production itself. Here we find a part of the constant capital which replaces itself and is never sold, and therefore also is never paid for, and is never consumed, never enters into individual consumption. Seed, etc., are the equivalent of so much labour-time. The value of the seed, etc., enters into the value of the total product; but the same value, because it is the same amount of products (on the assumption that the productivity of labour has remained the same), is also deducted again from the total product and returned to production, not entering into circulation.

Here we have at least one part of the constant capital—that which can be regarded as the raw material of agriculture—which replaces itself. Here therefore is an important [branch I—the most important branch in size

and in the amount of capital it contains—of the annual production in which an important part of the constant capital, the part which consists of raw materials (apart from artificial fertilisers, etc.), replaces itself and does not enter into circulation, and is therefore not replaced by any form of revenue. Therefore the spinner has not got to repay to the flax-grower this part of the constant capital (the part of the constant capital which is replaced and paid for by the flax-grower himself); nor has the weaver to pay for this to the spinner, nor the buyer of the linen to the weaver.

Let us assume that all those who directly or indirectly participated in the production of the 12 yards of linen (=36 shillings=3 working-days or 36 hours' labour) were paid in linen itself, It is clear in the first place that the producers of the elements of the linen, of the constant capital of the linen, *could not consume their own product*, since these products are produced for production and do not enter into immediate ||285| consumption. They must therefore spend their wages and profits on linen—on the product which finally enters into individual consumption. What they do not consume in linen, they must consume in some other consumable product exchanged for linen. As much (in value) linen is therefore consumed by others as they consume in other consumable products instead of linen, It is the same as if they had themselves consumed it in linen, since as much as they consume in another product is consumed in linen by the producers of other products. The whole problem must therefore be cleared up, without any reference to exchange, by considering how the 12 yards of linen are divided up between all the producers who have taken part in its production or in the production of its elements.

Spinner and loom maker, who we assume also makes spinning machinery, have added one-third in labour, their constant capital amounting to two-thirds of yarn

and loom, Of the 8 yards of linen (or 24 hours) or 24s., which replace their total product, they can consequently consume $^{8}/_{3}$ [yards], that is, $2^{2}/_{3}$ [yards] of linen or 8 hours' labour or 8s. Therefore $5^{1}/_{3}$yards or 16 hours' labour remain to be accounted for.

$5^{1}/_{3}$ yards or 16 hours' labour represent the constant capital of the spinner and of the loom maker. Let us assume that of the spinner's constant capital two-thirds is raw material and is spent on flax; then the flax-grower can consume these two-thirds entirely in linen, since his constant capital <but here we take the wear and tear of his implements of labour, etc., as equal to nil// is not put into circulation at all; he has already deducted it and reserved it for reproduction. He can therefore buy two-thirds of the $5^{1}/_{3}$ yards of linen or 16 hours' labour, which is equal to $3\,^{5}/_{9}$ yards, or $^{10}2/_{3}$ hours' labour. So there remains to be accounted for only $5^{1}/_{3}$ minus $3^{5}/_{9}$ yards, or 16 $-10^{2}/_{3}$ hours' labour, that is, $1^{7}/_{9}$ yards or $5^{1}/_{3}$ hours' labour. These $1^{7}/_{9}$ yards or $5^{1}/_{3}$ hours' labour resolve themselves into the constant capital of the loom maker and the total product of the spinning machinery maker, who are assumed to be one person.

||286| Therefore once again:

	Total product	constant capital	Weaving labour added	consumption
Weaver	12 yards linen (36s.) (36 hours' labour)	8 yards (24 hours) (24s.)	12 hours	12 hours 12s.=4 yards

Of the weaver's constant capital let $^{3}/4$=yarn and $^{1}/_{4}$=loom (means of production in general). The weaver thus pays 6 yards or 18 hours to the spinner and 2 yards or 6 hours to the machine maker, etc.

Spinner				Machine maker			
Total Product	Constant capital	Spinning labour added	Consumption	Total Product	Constant capital	labour added	Consumption
6 yards	4 yards	2 yards	2 yards	2 yards	$^{4}/_{3}$ yards	$^{2}/_{3}$ yard	$^{2}/_{3}$ yard
18s.	12s.	6s.	6s.	6s.			
18 hours	12 hours	6 hours		6 hours			

Of the 8 which replace the weaver's constant capital, therefore, 2 yards(=6s.=6 hours) are consumed by the spinner $^{2}/_{3}$ of a yard (2s.=2 hour's labour) by the maker of looms, etc.

What remains for us to account for is thus 8–$2^{2}/_{3}$yards=$5^{1}/_{3}$ yards (=16s.=16 hours' labour). These remaining $5^{1}/_{3}$ yards (=16s.=16 hours' labour) are resolved as follows: We assume that in the 4 yards which represent the spinner's constant capital, that is, the elements of his yarn, $^{3}/_{4}$ is the equivalent of the flax, and $^{1}/_{4}$ of the spinning machine. The elements of the ||287| spinning machine will be reckoned in further on with the constant capital of the loom maker. The two are assumed to be the same person.

Of the 4 yards which replace the spinner's constant capital, $^{3}/_{4}$=3 yards are therefore resolved into *flax*. A considerable part of the constant capital in the flax, used in its production, has not however to be replaced; for the flax-grower has already returned it to the land in the form of *seed, manure, fodder, cattle*, etc. Therefore in the part of his product that he sells, only the wear and tear of his instruments of labour, etc., has to be included as constant capital. Here we must rate the labour added at two-thirds

at least and the constant capital to be replaced at one-third at the most.

Thus:

	Total product	Constant capital	Farm labour	Consumable
Flax	3 yards	1 yard	2 yards	2 yards
	9s.	3s.	6s.	6s.
	9 hours' labour	3 hours' labour	6 hours' labour	6 hours' labour

Thus what we have still to account for is:

1 yard (3s., 3 hours' labour), equal to the flax-grower's constant capital;

$1\frac{1}{3}$ yards (4s., 4 hours' labour), equal to the constant capital for the loom;

finally 1 yard (3s., 3 hours' labour) for the *total product* contained in the spinning machine.

First what the machine maker can consume for the spinning machine has to be deducted:

	Total product	Constant capital	Engineering labour added	Consumable
Spinning machine	1 yard	$\frac{2}{3}$ yard	$\frac{1}{3}$ yard	$\frac{1}{3}$ yard
	3s.	2s.	1s.	1s.
	3 hours' labour	2 hours' labour	1 hour's labour	1hour's labour

Moreover, the *agricultural machinery*, the flax-grower's constant capital, has to be divided into its consumable and other parts:

	Total product	Constant capital	Engineering labour	Consumable
Agricultural machine	1 yard	$^{2}/_{3}$ yard	$^{1}/_{3}$ yard	$^{1}/_{3}$ yard
	3s.	2s.	1s.	1s.
	3 hours' labour	2 hours' labour	1 hour's labour	1hour's labour

If therefore we put together that part of the total product which represents machinery, it amounts to 2 yards for the loom, I yard for the spinning machine, 1yard for the agricultural machine, 4 yards in all (12s., 12 hours' labour or $^{1}/_{3}$ of the total product, 12 yards of linen), Of these 4 yards, the machine maker can consume $^{2}/_{3}$ of a yard for the loom, $^{1}/_{3}$ for the spinning machine, ditto $^{1}/_{3}$ for the agricultural machinery, in all $1^{1}/_{3}$ yards. $2^{2}/_{3}$ yards are left, that is, $^{4}/_{3}$ constant capital for the loom, $^{2}/_{3}$ for the spinning machine, and $^{2}/_{3}$ for the agricultural machine= $^{8}/_{3}=2^{2}/_{3}$ yards (=8s.=8 hours' labour). This therefore forms the machine builder's constant capital which has to be replaced. Of what now does this constant capital consist? On the one hand, of its raw material, iron, wood, leather belting; and so on. But on the other hand, of that part of the machine he works with (which he may have built himself) which he uses in building machines and which gets worn out. Let us assume that the raw material amounts to two-thirds of the constant capital, and the machine-building machine to one-third. This latter one-third is to be examined later. The two-thirds for wood and iron ||288| amount to two-thirds of the $2^{2}/_{3}$ yards (or $2^{2}/_{3}$ yards=$^{8}/_{3}$ yards=$^{24}/_{9}$ yards), $^{1}/_{3}$ of this=$^{8}/_{9}$; therefore $^{2}/_{3}=^{16}/_{9}$ yards.

Let us then assume that here [in the production of wood and iron] machinery is one-third and added labour two-

thirds (since there is nothing for raw material); then two-thirds of the $^{16}/_{9}$ yards replace labour added, and one-third machinery. Thus what is left again for machinery is $^{16}/_{27}$ yard. The constant capital of the producers of iron and wood, in short, of the extractive industry, consists only of instruments of production—which we here call machinery in general — and not of raw material.

Therefore $^{8}/_{9}$ yard for the machine-building machine, $^{16}/_{27}$ yard for the machinery used by the producers of iron and wood. So $^{24}/_{27} + {}^{16}/_{27} = {}^{40}/_{27} = 1^{13}/_{27}$ yards. This therefore, has in turn to be put down to the machine builder's account.

Machinery. $^{24}/_{27}$ of a yard forms the replacement for the machine building machine. But this in turn is divided into raw material (iron, wood, etc.), the part of, the machinery used up in building the machine-building machine, and labour added. So, if each of the elements is one-third of the total, $^{8}/_{27}$ of a yard would go for the labour added, and $^{16}/_{27}$ of a yard would be left for the *constant capital to* be replaced in the machine-building machine, that is, $^{8}/_{27}$ of a yard for raw material and $^{8}/_{27}$ of a yard to replace the part of the value representing the machinery used up in working up this raw material (together $^{16}/_{27}$ of a yard).

On the other hand the $^{16}/_{27}$ of a yard, which replace the iron and wood producers' machinery, likewise consist of raw material, machinery and labour added. This last is equal to one-third, that is, equal to $^{16}/_{27\times3} = {}^{16}/_{81}$ of a yard, and the constant capital in this part of the machinery consists of $^{32}/_{81}$ of a yard, of which $^{16}/_{81}$ is for the raw material, $^{16}/_{81}$ to make good the wear and tear of the machinery.

Thus there remains in the machine builder's hands, as constant capital to make good the wear and tear of his machinery, $^{8}/_{27}$ of a yard, with which he replaces the wear

and tear of his machine-building machine, and $^{16}/_{81}$ of a yard for the wear and tear of the iron and wood producers' machinery that has to be replaced.

Apart from this he had, for the replacement of his constant capital, $^{8}/_{27}$ of a yard for the raw material (contained in the machine-building machine) and $^{16}/_{81}$ for the raw material contained in the iron and wood producers' machines. Of this, however, another two-thirds consist of labour added and one-third of machinery used up. Therefore two-thirds of the $^{24}/_{81}+^{16}/_{81}=^{49}/_{81}$ is paid for labour, that is, $(26^{2}/_{3})/_{81}$. Of this raw material, ||289| $(13^{1}/_{3})/_{81}$ is again left to replace machinery. This $(13^{1}/_{3})/_{81}$ of a yard therefore comes back to the machinery manufacturer.

Now there would again be in the hands of the latter: $^{8}/_{27}$ of a yard for the replacement of the wear and tear of the machine-building machine, $^{16}/_{81}$ to replace the wear and tear of the iron, etc., producers' machinery, and $(13^{1}/_{3})/_{81}$ for the part of the value to replace the machinery in the raw material, iron, etc.

And so we might go on calculating to infinity, with ever smaller fractions, but never able to divide the 12 yards of linen without a remainder.

Let us briefly resume the course of our inquiry up to this point.

We said at the start that in the different spheres of production there are different proportions as between the newly-added labour (which partly replaces the variable capital laid out in wages, and partly forms the profit, the unpaid surplus-labour) and the constant capital to which this labour is added. We could however assume an average proportion, for example, *a*—labour added, *b*—constant capital; or we could assume that the proportion of the latter to the former is $2 : 1 = {}^{2}/_{3} : {}^{1}/_{3}$. If this holds

good in each production sphere of capital, we went on, then the labour added (wages and profit together) in one particular sphere of production can always only buy one-third of its own product, since wages and profit together form only one-third of the total labour-time realised in the product. But the other two-thirds of the product, which replace his constant capital, also belong to the capitalist. If he wishes to continue production, however, he must replace his constant capital, that is, retransform two-thirds of his product into constant capital. To do this, he must sell the two-thirds.

But to whom? We have already deducted the one-third of the product that can be bought with the total of wages and profit. If this total represents 1 day's labour or 12 hours, then the part of the product whose value is equal to the constant capital represents 2 days' labour or 24 hours. So we assume that [the second] one-third of the product is bought by profit and wages in another branch of production, and the last one-third is bought in turn by profit and wages in a third branch of production. But then we have exchanged the constant capital of Product I for wages and profit exclusively, that is, for newly-added labour, by making the whole labour added to Products II and III be consumed in the form of Product I. Of the six working-days contained in Products II and III, in both newly-added and pre-existing labour, none has been replaced or bought by the labour contained in either Product I or in Products II and III. So we had in turn to make the producers of other products spend all their labour added on Products II and III, and so on. Finally we had to come to a halt at a Product X, in which the labour added was as much as the constant capital of all the earlier products; but its own constant capital two-thirds larger, would be unsaleable. Thus we have not come one step forward with the problem. In the case of Product X, as in the case of Product I, the question remains: to whom is the part of the product sold which

replaces the constant capital? Or is the one-third new labour added to the product to replace the one-third new labour plus the two-thirds pre-existing labour contained in the product? Is one-third to be equal to three-thirds?

So from this it became clear that the shifting of the difficulty from Product I to Product II, etc., in a word, merely bringing in to the problem the exchange of commodities, was of no avail.

||290| So we had to pose the question in a different way.

We assumed that the twelve yards of linen (=36s.=36 hours' labour) were a product containing 12 hours' labour or 1 working-day of the weaver (necessary labour and surplus-labour together, that is, the equivalent of the total of profit and wages), while two-thirds represented the value of the constant capital, yarn and machinery, etc., contained in the linen. We further assumed, in order to eliminate any recourse to quibbles and intermediate transactions, that the linen was of a kind destined only for individual consumption, and therefore could not serve in turn as raw material for some new product. By this we assumed that it was a product that had to be paid for from wages and pro fit, that it must be exchanged for revenue. And finally to simplify things we assume that no part of the profit is reconverted into capital, but that the whole profit is spent as revenue.

As for the first *4* yards, the first one-third of the product, equal to the 12 hours' labour added by the weaver, we soon settled that. They are resolved into wages and profit; their value is the same as the value of the weaver's total profit and wages. They are therefore consumed by him and his workmen themselves. This solution for the four yards is unconditionally valid. For if profit fit and wages are consumed not in linen but in some other product, this can only happen because the

producers of some other product consume the part of it which is consumable by them in linen and not in their own product. If of the 4 yards of linen, for example, only 1 is consumed by the linen weaver himself, and 3 yards in meat, bread, and cloth, then just the same as before, the value of the 4 yards of linen is consumed by the linen weavers themselves; only they have consumed $^3/_4$ of this value in the form of other commodities, while the producers of these other commodities have consumed in the form of linen the meat, bread and cloth consumable by them as wages and profit. <Here, as throughout this inquiry, it is of course always assumed that the commodity is sold and sold at its value.//

But now comes the real problem. The weaver's constant capital exists now in the form of 8 yards of linen (=24 hours' labour=24s.); if he wants to continue production, he must transform these 8 yards of linen into money, 24s., and with this 24s. he must buy newly-produced commodities, to be found on the market, of which his constant capital consists, To simplify the problem, let it be assumed that he does not replace his machinery within a period of years, but that every day, out of the proceeds of his product, he has to replace in kind the part of the machinery that is equal to the part of the value of the machinery worn out each day. He must replace the part of the product that is equal to the value of the constant capital it contains with the elements of this constant capital, or the material conditions of production for his labour. On the other hand, his prod-not, the linen, does not enter any other sphere of production as a condition of production, but passes into individual consumption. He can therefore replace the part of his product which represents his constant capital only by exchanging it for revenue or for the part of the value of the product of other producers which consists of wages and profit, consequently of newly-added labour. The

problem is thus posed in its correct form. The question is only: in what conditions can it be solved?

A difficulty that arose in our first presentation of it has now been partly overcome. Although in each sphere of production the labour added is equal to one-third, the constant capital— on the assumption made—to two-thirds, this one-third labour added—or the total value of the revenue (of wages and profit; as already noted earlier, no account is here taken of the part of the profit which is again transformed into capital) —is only consumable in the products of the branches of industry which work directly for individual consumption. The products of all other branches of industry can only be consumed as capital, can only enter into industrial consumption.

||291| The constant capital represented by the 8 yards (=24 hours=24s.) consists of yarn (raw material) and machinery. Let us say $^3/_4$ raw material and $^1/_4$ machinery. (Under raw material we can here also reckon all auxiliary materials such as oil, coal, etc. But for the sake of simplicity it is better to disregard these.) The yarn would cost 18s. or 18 hours' labour=6 yards; the machinery 6s.=6 hours' labour=2 yards.

If therefore the weaver uses his 8 yards to buy yarn for 6 yards and machinery for 2 yards, with his constant capital of 8 yards he has covered not only the constant capital of the spinner and the loom manufacturer, but also the labour newly added by them. A part of what appears as the weaver's constant capital therefore represents newly-added labour on the part of the spinner and the machinery manufacturer, and consequently is for them not capital but revenue.

Of the 6 yards of linen, the spinner can himself consume one-third=2 yards (equal to the labour newly added, profit and wages). But 4 yards replace for him only flax and machinery. Say 3 yards for flax, 1 yard for

machinery. He must pass on the payment for these. Of the 2 yards the machinery manufacturer can himself consume two-thirds of a yard; but $^{4}/_{3}$ only replace for him iron and wood, in a word, raw material, and the machinery used for building the machine. Say, of the $^{4}/_{3}$ yards, 1 yard for raw material and $^{1}/_{3}$ of a yard for machinery.

Of the 12 yards of linen, we have consumed up to this point:

first, 4 for the weaver, second, 2 for the spinner, and third, $^{2}/_{3}$ for the machine builder; together $6^{2}/_{3}$, So $5^{1}/_{3}$ remain to be accounted for. And these $5^{1}/_{3}$ are distributed as follows:

The spinner has to replace, out of the value of 4 yards, 3 for flax, 1 for machinery.

The machinery manufacturer has to replace, out of the value of $^{4}/_{3}$ yards, 1 for iron, etc., $^{1}/_{3}$ for machinery (what he has himself used up in building the machines).

The 3 yards for flax are therefore paid by the spinner to the flax-grower. In the case of the latter, however, there is the special feature that a part of his constant capital (namely, seed, manure, etc., in short all products of the land which he returns to the land) does not enter at all into circulation, and consequently does not need to be deducted from the product that he sells; this product on the contrary expresses only added labour, and consequently consists entirely of wages and profit (except for the part which replaces machinery, artificial fertilisers, etc.). So let us assume as before that one-third of the total product is labour added; then 1 yard of the 3 would come under this category. Taking as before for the 2 other yards that one-quarter is for machinery, that would be $^{2}/_{4}$ yard. The other $^{6}/_{4}$, on the other hand, would also be for labour added, since in this part of the flax-

grower's product there is no constant capital, which he has already deducted earlier. So 2 2/4 yards would go for the flax-grower's wages and profit. What remains is 2/4 yard for replacement of machinery. <Thus of the 5 1/3 yards which we had to consume, 22/4 have gone (5 4/12 – 2 6/12 =2 10/12 = 2 5/6 yards).// This last 2/4 of a yard would therefore be used by the flax-grower to buy machinery.

The machinery manufacturer's account would now stand like this: of the constant capital for the loom he had laid out 1 yard for iron, etc.; 1/3 of a yard for the wear and tear of the machine-building machine in producing the loom.

In addition, however, the spinner buys from the machinery manufacturer spinning machinery for I yard, and the flax-grower buys from him agricultural implements for 2/4 of a yard. Of these 6/4 yards, the machinery manufacturer has to consume 1/3 for labour added, and to expend 2/3 for the constant capital laid out in the spinning machine and the agricultural implements. 6/4 however=18/12 So the machine builder would have 6/12 of a yard ||292| again for consumption, 12/12 or 1 yard to convert into constant capital. (Of the 2 5/6 yards not yet consumed, 1/2 yard therefore has gone. 14/6 yards are left, or 2 2/6, or 2 1/3 yards.)

Of this yard the machinery manufacturer would have to expend 3/4 on raw material, iron and wood, etc., 1/4 to pay to himself for the replacement of the machine-building machine.

So the total account would now stand like this:

Machinery manufacturer's constant capital	For the loom: 1 yard for raw material, 1/2 of a yard for wear and tear of his own machinery.

> For spinning machine and agricultural implements: $^{3}/_{4}$ of a yard for raw material, $^{1}/_{4}$ of a yard for wear and tear of his own machinery.
>
> Hence equal to $1\,^{3}/_{4}$ yards for raw material, $^{1}/_{3}+^{1}/_{4}$ for wear and tear of his own machinery.

The $1^{3}/_{4}$ yards or $^{7}/_{4}$ yards therefore buy from the iron and wood manufacturers iron and wood to this value. $^{7}/_{4}=^{21}/_{12}$. But here a new question arises, In the case of the flax-grower, the raw material which is part of the constant capital did not enter into the product he sold, because it had already been deducted. In this case we must resolve the total product into labour added and machinery. If we even assumed that here the added labour was equal to two-thirds of the product, the machinery one-third, $^{14}/_{12}$ would be consumable. And $^{7}/_{12}$ would remain as constant capital for machinery. This $^{7}/_{12}$ would come back to the machinery manufacturer.

What was left of the 12 yards would then amount to $^{1}/_{3}+^{1}/_{4}$ yard, which the machinery manufacturer would have to pay to himself for the wear and tear of his own machinery, and $^{7}/_{12}$ of a yard, which the iron and wood manufacturers return to him for machinery. Hence $^{1}/_{3}+^{1}/_{4} = {}^{4}/_{12}+{}^{3}/_{12} = {}^{7}/_{12}$. In addition, the $^{7}/_{12}$ returned by the iron and wood manufacturers. (Together $^{14}/_{12} = 1\,^{2}/_{12} = 1\,^{1}/_{6}$.)

The iron and wood manufacturers' machinery and instruments of labour must be bought from the machinery manufacturer, just as those of the weaver, the spinner and the flax-grower. Thus of the $^{7}/_{12}$ of a yard, let one-third, equal to $^{2}/_{12}$, be labour added. This $^{2}/_{12}$ of a yard can therefore also be consumed. The remaining $^{5}/_{12}$ (actually $^{4}/_{12}$ and $(^{2}/_{3})/12$, but there's no need to be so exact) represents the constant capital contained in the woodcutter's axe and the iron

manufacturer's machinery, $^{3}/_{4}$ pig-iron, wood, etc., and $^{1}/_{4}$ machinery used up. (Of the $^{14}/_{12}$ yards $^{12}/_{12}$ is left, or 1 yard=3 hours' labour=3s.) Therefore of the 1 yard, $^{1}/_{4}$ of a yard for replacement of the machine-building machine and $^{3}/_{4}$ of a yard for wood, iron, etc.

Hence for the wear and tear of the machine-building machine $^{7}/_{12}$ of a yard $+^{1}/_{4}$ of a yard $= ^{7}/_{12} + ^{3}/_{12} = ^{10}/_{12}$ of a yard. On the other hand it would now be quite pointless again to resolve the $^{3}/_{4}$ of a yard for wood and iron into their component parts and to return a part of it once more to the machinery manufacturer, who would return a part of it again to the iron ||293| and wood manufacturers. Something would always be left over and a progression to infinity.

[(c) Exchange of Capital for Capital between the Producers of Means of Production. Annual Product of Labour and the Product of Labour Newly Added Annually]

Let us then take the problem as it now stands.

$^{10}/_{12}$ or $^{5}/_{6}$ of a yard in value has to be replaced by the machinery manufacturer himself in the worn-out machine. $^{3}/_{4}$ or $^{9}/_{12}$ of a yard represents an equal amount of value in wood and iron. The machinery manufacturer has given it to the iron and wood manufacturers, in order to replace his raw material. We have in hand the residuum of $^{19}/_{12}$ or 1 $^{7}/_{12}$ yards.

The balance of $^{5}/_{6}$ of a yard which the machinery manufacturer keeps for making good his wear and tear $= ^{15}/_{6}$, shillings$=^{15}/_{6}$ hours' labour, that is, 2 $^{3}/_{6}$, or 2 $^{1}/_{2}$s., or 2 $^{1}/_{2}$ hours' labour. The machinery manufacturer cannot accept any linen for this value; he would himself have to sell it again, in order with the 2s. 6d. to make good the wear and tear of his machinery, in a word, to make new machine-building machines. But to whom is he to sell

it? To producers of other products (other than iron and wood)? But these producers have consumed in linen all that they were able to consume in this form. Only the 4 yards which constitute the weaver's wages and profit are exchangeable for other products (apart from those contained in the constant capital or the labour of which this capital consists). And we have already accounted for these 4 yards. Or is he to pay workers with it? But we have already deducted from his products all that labour has added to them, and we have taken it as all consumed in linen,

To put the matter in another way:

The weaver has to replace for machinery	2 yards	= 6s.	= 6 hours' labour
The spinner	1 "	= 3 "	= 3 "
The flax-grower	$^{2}/_{4}$ "	= 1 $^{1}/_{2}$ "	= 1 $^{1}/_{2}$ "
The iron and wood producers	$^{7}/_{12}$ "	= 1 $^{3}/_{4}$ "	= 1 $^{3}/_{4}$ "
Total yards expended on machinery or the part of the value of the linen which consists of machinery	4 $^{1}/_{12}$yards	= 12 $^{1}/_{4}$ s.	= 12 $^{1}/_{4}$ hours' labour

To simplify the calculation, say 4 yards=12s.=12 hours' labour. Of this, for labour (profit and wages) one-third = $^{4}/_{3}$ yards = 1 $^{1}/3$ yards.

2 $^{2}/_{3}$ remain for constant capital. Of this, $^{3}/_{4}$ for raw material, $^{1}/_{4}$ for wear and tear of machinery. 2 $^{2}/_{3}$ = $^{8}/_{3}$ = $^{32}/_{12}$. A quarter of this= $^{8}/12$.

This $^{8}/_{12}$ of a yard for wear and tear of machinery is all that the machinery manufacturer is still burdened with. For he pays $^{24}/_{12}$ or 2 yards to the iron and wood manufacturers for raw material.

||294| It is wrong, then, to charge the iron and wood manufacturers again for machinery, since all that they have to replace its machinery, namely $^{7}/_{12}$ of a yard, has already been brought into the machinery manufacturer's account. In the latter's item, the whole of the machinery that they need for the production of iron and wood has already been included, and it therefore cannot come a second time into the reckoning. The last two yards for iron and wood (the residuum of 2 $^{8}/_{12}$) consist therefore entirely of labour, since there is no raw material used, and can therefore be consumed in linen.

Thus the whole residuum is $^{8}/_{12}$ of a yard or $^{2}/_{3}$ of a yard for wear and tear of the machinery used by the machinery manufacturer.

The whole problem was partly solved by the fact that the part of the farmer's *constant capital*, which does not itself consist of labour newly added or in machinery, does not circulate at all, but is already deducted, replaces itself in his own production, and therefore also—apart from the machinery—his whole *circulating* product consists of wages and profit and consequently can be consumed in linen. This was one part of the solution.

The other part was that what appears in one sphere of production as constant capital, in other spheres of production appears as new labour added during the same year. What in the weaver's hand appears as constant capital consists in large part of the revenue of the spinner, machinery manufacturer, flax-grower and iron and wood producers (also of the collier, etc.; but for the sake of simplification this is not brought into it). (This is so clear that, for example, when the same manufacturer both spins and weaves, his constant capital seems to be smaller than that of the weaver and the labour added by him greater, that is to say, the part of his product which consists of labour added, revenue, profit and wages. Thus in the case of the weaver revenue was equal to 4

yards=12s.; constant capital 8 yards=24s. If he both spins and weaves, his revenue is equal to 6 yards. His constant capital also equals 6 yards; that is, 2 yards for loom, 3 yards flax, and I yard spinning machinery.)

Thirdly, however, the solution so far found is that all producers who supply only raw material or means of production for the product which finally enters into individual consumption, cannot consume their revenue—profit and wages, the [labour] newly added—in their own product, but they can consume the part of the value of this product which represents revenue only in the consumable product, or, what is the same thing, [they have to exchange it] for a consumable product of other producers containing the same amount of value. Their newly-added labour enters into the final product as a component part of the value, but is only consumed in the form of the final product, while as a use-value it is contained in the final product as raw material or machinery used up.

Hence the part of the problem which now remains to be solved is reduced to this: What happens to the $^2/_3$ of a yard for the wear and tear [of the machine-building machine]—not of the machines used in production, for these represent new labour, that is, new labour which gives the raw material (which has itself no raw material that costs anything) the form of new machinery but—[what happens] to the depreciation of the machinery manufacturer's machine-building machine? Or to put it another way: Under what conditions can the machinery manufacturer consume the $^2/_3$ of a yard=2s.=2 hours' labour in linen, and at the same time replace his machinery? That is the real question. This takes place in fact. It necessarily takes place. Hence the problem: how is this phenomenon to be explained?

||295| Here we leave entirely out of account the part of the profit which is transformed into new capital (both circulating and fixed, variable and constant capital). It

has nothing to do with our problem, for here new variable capital as well as the new constant capital are created and replaced by *new* labour (a part of the surplus-labour).

So putting this case on one side, the total of labour newly added, in a year for example, is equal to the total of profit and wages, i.e., equal to the total of the annual *revenue* spent on products which enter into individual consumption, such as food, clothing, heating, dwelling-house, furniture, etc.

The total of these products going into consumption is equal in value to the total labour added annually (to the total value of the revenue), This quantity of labour must be equal to the total labour contained in these products, both the added and the pre-existing labour. In these products not only the labour newly added, but also the constant capital they contain, must be paid for. Their value is therefore equal to the total of profit and wages. If we take linen as the example, then the linen represents for us the aggregate of the products entering into individual consumption annually. This linen must not only be equal to the value of all its elements of value, but its whole use-value must be consumable by the various producers who take their share of it. Its whole value must be resolvable into profit and wages, that is, labour newly added each year, although it consists of labour added and constant capital.

This is partly explained, as we have said, by:

First. A part of the constant capital required for the production of the linen does not enter into it, either as use-value or as exchange-value, This is the part of the flax which consists of seed, etc.; the part of the constant capital of the agricultural product which does not enter into circulation, but is directly or indirectly returned to production, to the land. This part replaces itself, so it does not need to be repaid out of the linen. <A peasant

may sell his whole harvest, say 120 quarters. But then he must buy from another peasant for example 12 quarters of seed, and the latter has then to use as seed, out of his 120 quarters, 24 quarters instead of 12 quarters, $^1/_5$ instead of $^1/_{10}$ of his product. In both cases 24 quarters of the 240 quarters are given back to the land as seed. Of course, this makes a difference in the circulation. In the first case, where each deducts one-tenth, 216 quarters enter circulation. In the second case 120 quarters of the first and 108 quarters of the second enter circulation, that is, 228 quarters. As in the previous case, 216 quarters reach the actual consumers. Here therefore we have an example of the fact that the total of values as between dealers and dealers is greater than the total of values as between dealers and consumers.// (Moreover there is the same difference in all cases in which a part of the profit is transformed into new capital; moreover, transaction between dealers and dealers extend over many years, etc.)

This part [of the raw material required] for the production of the linen, that is, the consumable products, therefore does not have to replace a considerable part of the constant capital required for its production.

Secondly. A large part of the constant capital required for the linen, that is, for the annual consumable product, appears at one level as constant capital, at another level as labour newly added, and consequently in fact consists of profit and wages, revenue, for one, while the same sum of value appears as capital for another. Thus a part of [the weaver's] constant capital is reducible to the labour of the spinner, etc.

||296| *Thirdly*. In all the intermediate processes that are necessary to produce the consumable product, a large part of the products, apart from the raw material and certain auxiliary materials, never passes into the use-value, but only enters into the consumable product as a

component part of its value—such as machinery, coal, oil, tallow, leather belting, etc. In each of these processes which in fact always only produce the constant capital for the next stage—in so far as, through the division of social labour, they take the form of separate branches of business—the product of each stage is divided into one part representing the newly-added labour (consisting of profit and wages, and, with the proviso made above, forms revenue), and another part which represents the value of the constant capital consumed. It is therefore clear that in each of these spheres of production only that part of the product can be consumed by its own producers which represents wages and profit—only that part which remains over after deducting the quantity of products equal to the value of the constant capital they contain. But none of these producers consumes any part whatever of the products of the previous stage, or of the products, of all the stages, which in fact produce nothing but constant capital for a further stage.

Thus although the final product—the linen, which represents all consumable products—consists of newly-added labour and constant capital, and so the final producers of this consumable product can only consume that part of it which consists of the labour last added, of their total wages and profits, their revenue—nevertheless all the producers of constant capital consume or realise their newly-added labour only in the consumable product. Thus although this consists of labour added and constant capital, its purchase price consists—in addition to that part of the product which is equal to the quantity of labour last added—of the total quantity of all the labour added in the production of its constant capital. They realise all added labour in the consumable product instead of in their own product—so that in this respect it is the same as if the consumable product consisted entirely of wages and profit, of labour added.

From the consumable product, the linen (the exchange of consumable products for each other and the previous transformation of the commodities into money makes no difference), the producers from whose sphere of production it emerges as a finished product themselves deduct the part of the product equal to their revenue—equal to the labour last added by them, equal to the total wages and profit. With the other part of the consumable product they pay the component part of the value due to the producers who have directly supplied them with their constant capital. All of this part of their consumable product therefore covers the value of the revenue and constant capital of the producers of this constant capital in its nearest stage. The latter however keep only the part of the consumable product whose value is equal to their revenue. With the other part they pay in turn the producers of their constant capital, equal to revenue plus constant capital. *The account, however, can only be settled* if it is only revenue, newly-added labour, not constant capital, that has to be replaced by the last part of the linen, the consumable product. For on the assumption we have made the linen enters only into consumption and does not in turn form the constant capital of another phase of production.

This has already been shown to be the case for a part of the product of agriculture.

In general, it is only products that enter as raw materials into the final product of which it can be said that they are consumed as products. Other products enter into the consumable product only as component parts of value. The consumable product is bought by revenue, that is, by wages and profit. Its total value must therefore be resolvable into wages and profit, that is, into the labour added in all its stages. The question now arises: in addition to the part of the product of agriculture which is returned to ||297| production by its producers themselves—seed, cattle, manure, etc.—is there yet

another part of the constant capital which does not enter into the consumable product as a component part of value, but is replaced in kind in the process of production itself?

Fixed capital in all its forms can of course only be considered here to the extent that its value enters into production and is consumed.

Apart from agriculture (including cattle-raising and fish farming, and forestry, in which reproduction is artificially organised)—and so apart from all raw materials for clothing, actual means of sustenance and a large part of the products entering into fixed capital in industry, such as sails, rope, belting, etc.— in mining there is the partial replacement of constant capital in kind out of the product, so that the part which enters into circulation does not have to replace this part of the constant capital. For example, in coal production some of the coal is used to work the steam-engine which pumps out water or raises coal.

The value of the annual product is therefore partly equal to the part of the labour pre-existing in coal and consumed in producing the coal, and partly equal to the quantity of labour added (leaving out of account wear and tear of machinery, etc.). Of the total product, however, the part of the constant capital which consists in coal itself is directly deducted and returned to production. No one has to replace this part for the producer, because he replaces it himself. If the productivity of labour has neither fallen nor risen, then too the part of the value which this part of the product represents remains unchanged, and is equal to a definite aliquot part of the quantity of labour existing in the product—partly pre-existing labour, partly labour added during the year. In the other mining industries too there is a partial replacement of the constant capital in kind.

Waste products—as for example cotton waste and so on—are fed to the fields as fertiliser or become raw material for other branches of industry, as for example linen rags [in the production] of paper. In such cases, as in the former case, part of an industry's constant capital may be directly exchanged for the constant capital of another industry. For example, cotton for cotton waste used as fertiliser.

In general, however, there is a cardinal difference between the production of machines and primary production (of raw materials: iron, wood, coal) and the other phases of production: in the latter, there is no interaction between them. Linen cannot be a part of the spinner's constant capital, nor can yarn (as such) be part of the constant capital of the flax-grower or machinery manufacturer. But the raw material of machinery— apart from such agricultural products as leather belting, rope, etc. —is wood, iron and coal, while on the other hand machinery in its turn enters as a means of production into the constant capital of the producers of wood, iron, coal, etc. In fact, therefore, both replace each other a part of their constant capital in kind, Here there is exchange of constant capital for constant capital.

Here it is not merely a question of accounting. The producer of iron debits the machinery manufacturer for the wear and tear of the machinery used up in producing the iron and the machinery manufacturer debits [the producer of iron] for the wear and tear of his machinery in constructing the machines. Let the producers of iron and coal be the same person. First, he himself replaces the coal, as we have seen. Secondly, the value of his total product of iron and coal is equal to the value of the labour added plus the labour pre-existing in the worn-out machinery. After deducting from this total product the quantity of iron that replaces the value of the machinery, the quantity of iron which is left represents the labour added. The latter part forms the raw material of

manufacturers of machinery, instruments, etc. The machinery manufacturer pays the iron manufacturer for this latter part in linen. In exchange for the first part, he supplies him with machinery to replace the old.

On the other hand, the part of the machinery manufacturer's constant capital which represents the wear and tear of his machine-building machines, instruments, etc.—and therefore consists neither of raw material (leaving out of account here the machinery used [in coal and iron production] ||298| and the part of the coal which replaces itself) nor of labour added, and so neither of wages or profit—this wear and tear is in fact made good by the machinery manufacturer appropriating for himself one or two of his own machines to serve as machine-building machines, This part of his product merely comes to an excess consumption of raw material. For it does not represent labour newly added, since in the total product of the labour so many machines are equal to the value of the added, so many machines are equal to the value of the raw material, and so many machines are equal to the part of the value that was contained in machine-building machines, It is true that this last part does contain labour added. But in value this is equal to zero, since the labour contained in the raw material and in the machinery used up is not reckoned in the group of machines that represents labour added; and the part which replaces the new labour and machinery is not reckoned in the second group, which replaces the raw material; and consequently in the third part—considered as value—neither labour added nor raw material is contained, but this group of machines represents only the wear and tear of the machinery.

The machinery of the machinery manufacturer himself is not sold. It is replaced in kind, deducted from the total product. Consequently the machines which he sells represent only raw material (which consists only of labour, if he has already been charged for the wear and

tear of the raw material producer's machinery) and labour added, and therefore are resolvable into linen for himself and for the raw material producer. As for what specially concerns the relations between the machinery manufacturer and the producer of raw materials, the latter has deducted, in respect of the part of his machinery that has been wasted, a quantity of iron equal to its value. He exchanges this with the machinery manufacturer, so that each of them pays the other in kind, and this process has nothing to do with the division of revenue between them.

So much for this question, to which we shall return in connection with the circulation of capital.

In reality, the constant capital is replaced by being constantly produced anew and in part by reproducing itself. The part of the constant capital which enters into the consumable product is however paid for out of the living labour which enters into the non-consumable products. Because the latter labour is not paid for in its own products, it can resolve the whole consumable product into income. A part of the constant capital, considered as part of the annual product, is only seemingly constant capital. Another part, although it enters into the total product, does not enter into the consumable product either as a component part of its value or as a use-value, but is replaced in kind, remaining always incorporated in production.

Here we have considered how the total consumable product is divided up and resolved into all the component parts of value and conditions of production that have entered into it.

But always there are, simultaneously and side by side, the consumable product (which, in so far as it consists of wages, is equal to the variable part of capital), the production of the consumable product, and the

production of all parts of the constant capital required for its production, whether it enters into it or not. In the same way, each capital is always simultaneously divided into constant and variable capital, and although the constant capital, like the variable, is continuously replaced by new products, it is always in existence in the same form, so long as production of the same kind goes on.

||299| The relation between the machinery manufacturer and the primary producers—of iron, wood, etc.—is that they in fact exchange with each other a part of their constant capital (which has nothing in common with the transformation of a part of the constant capital of one into revenue for the other), because their products—although one is a previous stage for the other—on both sides enter as means of production into the constant capital of the other. In return for the machinery which the producer of iron, wood, etc., needs, he gives the machine builder iron, wood, etc., to the value of the machine to be replaced. This part of the machine builder's constant capital is for him just the same as seed is for the peasant. It is part of his annual product which he replaces in kind for himself and which is not resolved into revenue for him. On the other hand, what is thus replaced for the machine builder in the form of raw material is not only the raw material contained in the iron producer's machine, but also the part of the value of this machine which consists of labour added and wear and tear of his own machinery. Thus it replaces for him not only the wear and tear of his own machinery, but can be regarded as accounting for (replacing) a part of the wear and tear contained in the other machines.

It is true that this [machine sold] to the producer of iron also contains component parts of value equal to the raw material and the labour added. But on the other hand there is correspondingly less wear and tear to be accounted for in the other machines. This part of their

constant capital—that is, of the product of their annual labour which replaces only the part of the value of the constant capital representing wear and tear—therefore does not enter into the machines which the machine builder sells to other industrialists, But as regards the wear and tear in these other machines, it is in fact replaced for the machine builder by the above-mentioned two-thirds of a yard of linen, the equivalent of 2 hours' labour. With that, he buys pig-iron, wood, etc., to the same value, and replaces the wear and tear in another form of his constant capital— [in the form] of iron. Thus a part of his raw material replaces for him the value of his wear and tear, in addition to the value of the raw material. This raw material, however, as far as the producer of iron, etc., is concerned, consists only of the labour-time added, as the machinery of these producers of raw materials (iron, wood, coal, etc.) has already been accounted for.

Thus all the elements of the linen are resolved into a sum of quantities of labour equal to the amount of labour newly added, but not equal to the amount of the total labour contained in the constant capital and perpetuated by reproduction.

That the quantity of labour consisting partly of living labour, partly of pre-existing labour, which forms the total of commodities which enter each year into individual consumption, and thus are consumed as revenue, cannot be greater than the labour added annually, is for that matter a tautology, For the revenue is equal to the total of profit and wages, which is equal to the total labour newly added, and is equal to the total of the commodities which contain an equal quantity of labour.

The case of iron producer and machine builder is only one example. Between different spheres of production, where the products of each enter into the other as means of production, an exchange in kind takes place too (even

though concealed by a series of money transactions) between the constant capital of the one and that of the other. In so far as this is the case, the consumers of the final product which enters into consumption have not got to replace this constant capital, since it has already been replaced. |299||

||304| <For example: in the manufacture of locomotives, every day the waste amounts to whole wagon-loads of iron filings. These are collected and resold (or charged in account) to the same iron manufacturer who supplied the locomotive manufacturer with his principal raw material. The iron manufacturer again gives them solid form, adding new labour to them. However in the form in which he sends them back to the locomotive manufacturer, these filings represent the part of the value of the product which replaces raw material, In this way not the same filings but constantly a certain quantity of filings, move hither and thither between the two factories, This part forms in turn the raw material for each of the two branches of industry and, considered as value, only wanders from one shop to the other. Consequently it does not enter into the final product, but is a replacement in kind of the constant capital.

In fact, every machine supplied by the machinery manufacturer, from the standpoint of value, is divided into raw material, labour added, and wear and tear of machinery, But the whole total that enters into the production of other spheres can only be equal in value to the total value of the machinery minus the part of the constant capital which is continually passing backwards and forwards between the machinery manufacturer and the iron manufacturer.

One quarter of wheat sold by a peasant is as dear as another, and a quarter of wheat that is sold is no cheaper than one that is returned to the land in the form of

seed. Still, if the product equals 6 quarters, and the quarter equals £3—each quarter containing component parts of value for labour added, raw material and machinery—and if he has to use 1 quarter as seeds, he would only sell to consumers 5 quarters, equal to £15. They would therefore not pay for the part of the value contained in the 1 quarter of seed. And this is the point: how can the value of the product sold be equal to all the elements of value contained in it—labour added and constant capital—and how in spite of this does the consumer buy the product and yet not pay for the constant capital?// |304||

||300| <In addition to the foregoing:

The following quotation shows how little the insipid Say even understood what the question was:

> "In order fully to understand this subject of revenues, it is necessary to take into account that the entire value of a product is divided into revenues for various persons; for the *total* value of each product is composed of the profits of the landowners, of the capitalists and of the craftsmen who have contributed to bring it into existence. This is why the revenue of society is equal to the *gross value* which has been produced, and not, as the sect of Economists imagines, to the *net product* of the land... If the only revenues in a nation were the excess of the values produced over the va1ues consumed, this would lead to a truly absurd result: that a nation which had consumed in the year values as great as it had produced would have no [...] revenue." ([Jean-Baptiste Say, *Traité d'économie politique*..., troisième edition], t. II, [Paris, 1817], pp. 63–64.)

In fact, in the year that was past it would have had a revenue, but it would have none the next year. It is not true that *the annual product of labour*, of which *the product of the annual labour* forms only one part, consists of revenue. On the other hand, it is correct that

this is the case with the part of the product which each year enters into individual consumption. The revenue, which consists only of added labour, is able to pay for this product, which consists partly of added and partly of preexisting labour; that is to say, the labour added in these products can pay not only for itself but also for the pre-existing labour, because another part of the product—which also consists of labour added and pre-existing labour—replaces only preexisting labour, only constant capital.//

[11. Additional Points: Smith's Confusion on the Question of the Measure of Value. General Character of the Contradictions in Smith]

<To the points in Adam Smith's theory just discussed must be added that in his vacillations on the determination of value —in addition to the apparent contradiction in regard to wages —there is also confusion [of ideal: in so far as he confuses the measure of value as the immanent measure which at the same time forms the substance of value, with the measure of value in the sense that money is called a measure of value. With regard to the latter the attempt is then made to square the circle — to find a commodity whose value does not change to serve as a constant measure for others. On the question of the relation of the measure of value as money to the determination of value by labour-time, see the first part of my work. This confusion is also to be found in Ricardo in certain passages.// |300||

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||299| Adam Smith's contradictions are of significance because they contain problems which it is true he does not solve, but which he reveals by contradicting himself. His correct instinct in this connection is best shown by the fact that his successors take opposing stands based on one aspect of his teaching or the other.

Footnotes

* Marx refers to Garnier's French translation of Adam Smith's work from which he takes the quotation. All excerpts from Smith's *Wealth of Nations* quoted by Marx in French in the manuscript are printed in this edition in English as given in Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Oxford University Press (O.U.P.) (The World's Classics), London 1928. In two volumes. Those passages which Marx has taken from Garnier's French translation are marked in the text "Garnier". The French extracts used by Marx are printed in the Appendix.—*Ed.*

* The manuscript reads: "Interchange of commodities and distribution must he kept distinct each other."—*Ed.*

* See pp. 41–42 of the present volume.—*Ed.*

* In the manuscript: "The *natural* price (or *necessary* price)".—*Ed.*

** In the manuscript: "so".—*Ed.*

*** In the manuscript: "Man muss immer zwischen den beiden unterscheiden."—*Ed.*

* Marx refers to the French translation from which he takes these passages. See Appendix, p. 427.—*Ed.*

* Not so.—*Ed.*

* All the same, nearer the right view than the others. [This was added by Marx in pencil.]—*Ed.*

* The beginning of the sentence has been translated by Marx into German and shortened as follows: “Wie Vergleichen des Produkt und”.—*Ed.*

** In the manuscript: “In”.—*Ed.*

*** In the manuscript: “all”.—*Ed.*

**** In the manuscript: “the”.—*Ed.*

**** In the manuscript: “the”.—*Ed.*

***** In the manuscript: “Also upon two circumstances hängt die rate of profit ab”.—*Ed.*

* In the manuscript: “return”—*Ed.*

** In the manuscript: “whatever”.—*Ed.*

* In the manuscript: “master-capitalist”.—*Ed.*

** In the manuscript: “wealth”.—*Ed.*

* As for example is now the case with the yarn or cloth of the cotton manufacturers, as a result of the American Civil War. The mere sale of their product is no guarantee for them that it will be retransformed, since there is no cotton on the market.

[CHAPTER IV] Theories of

Productive and Unproductive Labour

We come now to the last controversial point in Adam Smith's writings which we have to consider: *the distinction between productive and unproductive labour*.

||300| In Adam Smith's definition of what he calls productive labour as distinguished from unproductive labour, we find the same two-sided approach as we have found on every question up to now. Jumbled together in his presentation we find two definitions of what he calls productive labour, and to begin with we will examine the first, the correct definition.

[1. Productive Labour from the Standpoint of Capitalist Production: Labour Which Produces Surplus-Value]

Productive labour, in its meaning for capitalist production, is wage-labour which, exchanged against the variable part of capital (the part of the capital that is spent on wages), reproduces not only this part of the capital (or the value of its own labour-power), but in addition produces surplus-value for the capitalist, It is only thereby that commodity or money is transformed into capital, is produced as capital. Only that wage-labour is

productive which produces capital. (This is the same as saying that it reproduces on an enlarged scale the sum of value expended on it, or that it gives in return more labour than it receives in the form of wages. Consequently, only that labour-power is productive which produces a value greater than its own.)

The mere existence of a class of capitalists, and therefore of capital, depends on the productivity of labour: not however on its absolute, but on its relative productivity. For example: if a day's labour only sufficed to keep the worker alive, that is, to reproduce his labour-power, ||301| speaking in an absolute sense his labour would be productive because it would be reproductive; that is to say, because it constantly replaced the values (equal to the value of its own labour-power) which it consumed. But in the capitalist sense it would not be productive because it produced no surplus-value. (It produced in fact no new value, but only replaced the old; it would have consumed it—the value—in one form, in order to reproduce it in the other. And in this sense it has been said that a worker is productive whose production is equal to his own consumption, and that a worker is unproductive who consumes more than he reproduces.)

Productivity in the capitalist sense is based on relative productivity—that the worker not only replaces an old value, but creats a new one; that he materialises more labour-time in his product than is materialised in the product that keeps him in existence as a worker. It is this kind of productive wage-labour that is the basis for the existence of capital.

<Assuming, however, that no capital exists, but that the worker appropriates his surplus-labour himself—the excess of values that he has created over the values that he consumes. Then one could say only of this labour that it is truly productive, that is, that it creates new values.>

[2. Views of the Physiocrats and Mercantilists on Productive Labour]

This conception of productive labour follows naturally from Adam Smith's view of the origin of surplus-value, that is, of the nature of capital. In so far as he holds to this conception he is following a course that was taken by the Physiocrats and even by the Mercantilists; he only frees it from misconceptions, and in this way brings out its inner kernel. Though wrong in thinking that only agricultural labour is productive, the Physiocrats put forward the correct view that from the capitalist standpoint only that labour is productive which creates a surplus—value; and in fact a surplus—value not for itself, but for the owner of the conditions of production; labour which produces a net product not for itself, but for the landowner, For the surplus-value or surplus labour-time is materialised in a surplus-produce or net product. (But here again they have a wrong conception of this; in as much as there is, for example, more wheat than labourers and farmers eat; but also in the case of cloth there is more than what the cloth manufacturers—workman and master—need for their own clothing.) Surplus-value itself is wrongly conceived, because they have a wrong idea of value and reduce it to the use-value of labour, not to labour-time, social, homogeneous labour. Nevertheless, there remains the correct definition that only the wage-labour which creates more value than it costs is productive. Adam Smith frees this definition from the wrong conception with which the Physiocrats linked it.

If we go back from the Physiocrats to the Mercantilists, there too we find one aspect of their theory which

contains the same view of productive labour, even though they were not conscious of it, The basis of their theory was the idea that labour is only productive in those branches of production whose products, when sent abroad, bring back more money than they have cost (or than had to be exported in exchange for them); which therefore enabled a country to participate to a greater degree in the products of newly-opened gold and silver mines. They saw that in these countries there was a rapid growth of wealth and of the middle class. What in fact was the source of this influence exerted by gold? Wages did not rise in proportion to the prices of commodities; that is, wages fell, and because of this relative surplus-labour increased and the rate of profit rose—not because the labourer had become more productive, but because the absolute wage (that is to say, the quantity of means of existence which the labourer received) was forced down—in a word, because the position of the workers grew worse. In these countries, therefore, labour was in fact more productive for those who employed it. This fact was linked with the influx of the precious metals; and it was this, though they were only dimly aware of it, which led the Mercantilists to declare that labour employed in such branches of production was alone productive.

> ||302| "The remarkable increase [of population] which has taken place [...] in almost every European State, during the last fifty or sixty years, has perhaps proceeded chiefly from the increased productiveness of the American mines. An increased abundance of the precious metals" (of course as a result of the fall in their real value) "raises the price of commodities in a greater proportion than the price of labour; it depresses the condition of the labourer, and at the same time increases the gains of his employer, who is thus induced to enlarge his circulating capital to the utmost of his ability, to hire as many hands as he has the means to pay;—and it has been seen that this is precisely the state of things most favourable to the increase of people... Mr. Malthus observes,

that ‘the discovery of the mines of America, during the time that it raised the rice of corn between three and four times, did not nearly so much as double the price of labour’. — The price of commodities intended for home consumption (of corn for instance) does not immediately rise in consequence of an influx of money; but as the rate of profit in agricultural employments is thus depressed below the rate of profit in manufactures, capital will gradually be withdrawn from the former to the latter: thus all capital comes to yield higher profits than formerly, and a rise of profits is always equivalent to a fall of wages” (John Barton, *Observations on the Circumstances which Influence the Condition of the Labouring Classes of Society*, London, 1817, pp. 29 sqq.).*

So, firstly, according to Barton, in the second half of the eighteenth century there was a repetition of the same phenomenon as that which, from the last third of the sixteenth century and in the seventeenth, has given the impulse to the Mercantile system. Secondly as only exported goods were measured in gold and silver on the basis of its reduced value, while those for home consumption continued to be measured in gold and silver according to its former value (until competition among the capitalists put an end to this measuring by two different standards), labour in the former branches of production appeared to be directly productive, that is, creating surplus-value, through the depression of wages below their former level.

[3. The Duality in Smith’s Conception of Productive Labour. His First

Explanation: the View of Productive Labour as Labour Exchanged for Capital]

The second, wrong conception of productive labour which Smith develops is so interwoven with the correct one that the two follow each other in rapid succession in the same passage. To illustrate the first conception it is therefore necessary to tear the quotations into separate parts.

> "There is one sort of labour which adds to the value of the subject upon which it is bestowed: there is another which has no such effect. The former, *as it produces a value*, may be called *productive*; the latter, *unproductive labour*. Thus the labour of a manufacturer *adds*, generally, to the value of the materials which he works upon, *that of his own maintenance, and of his master's profit*. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages *advanced* to him by his master, he, *in reality, costs him no expense*, the value of those wages being generally restored, *together with a profit*, in the improved value of the subject upon which his labour is bestowed. But the maintenance of a menial servant never is restored. A man *grows* rich by employing a multitude of manufacturers: he grows poor, by maintaining a multitude of menial servants" ([Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*,] b. II, ch. III, Vol. II, ed. McCulloch, pp. 93 and 94).

In this passage—and in its continuation to be quoted later, the contradictory definitions jostle each other even more closely—what is in the main and pre-eminently understood by productive labour is labour which produces a surplus-value—"his master's profit"—in

addition to the reproduction of the value of "his" (the labourer's) "own maintenance". Also, the industrialist could not grow *rich* "by employing a multitude of manufacturers" (working men), unless the latter, in addition to the value which their own maintenance costs, added also a surplus-value.

Secondly, however, in this passage Adam Smith treats as productive labour, labour which in general "produces a value". ||303| Leaving this latter statement out of account for the moment, however, we will first cite other passages in which the first conception is partly repeated, partly formulated more sharply, but particularly also further developed.

> "If the quantity of food and clothing, which were — consumed by unproductive, had been distributed among productive hands, they would have reproduced, *together with a profit*, the full value of their consumption" (l.c., p. 109; b. II, ch. III).

Here the productive labourer is quite explicitly one who not only produces for the capitalist the full value of the means of subsistence contained in his wages, but reproduces it for him "with a profit".

Only labour which produces capital is productive labour. Commodities or money become capital, however, through being exchanged directly for labour-power, and exchanged only in order to be replaced by more labour than they themselves contain. For the use-value of labour-power to the capitalist as a capitalist does not consist in its *actual* use-value, in the usefulness of this particular concrete labour—that it is spinning labour, weaving labour, and so on. He is as little concerned with this as with the use-value of the product of this labour as such, since for the capitalist the product is a commodity (even before its first metamorphosis), not an article of consumption. What interests him in the commodity is

that it has more exchange-value than he paid for it; and therefore the use-value of the labour is, for him, that he gets back a greater quantity of labour-time than he has paid out in the form of wages. Included among these productive workers, of course, are all those who contribute in one way or another to the production of the commodity, from the actual operative to the manager or engineer (as distinct from the capitalist), And so even the latest English official report on the factories "*explicitly*" includes in the category of employed wage-labourers all persons employed in the factories and in the offices attached to them, with the exception of the manufacturers themselves (see the wording of the report before the concluding part of this rubbish).

Productive labour is here defined from the standpoint of capitalist production, and Adam Smith here got to the very heart of the matter, hit the nail on the head. This is one of his greatest scientific merits (as Malthus rightly observed, this critical differentiation between productive and unproductive labour remains the basis of all bourgeois political economy) that he defines productive labour as labour *which is directly exchanged with capital;* that is, he defines it by the exchange through which the conditions of production of labour, and value in general, whether money or commodity, are first transformed into capital (and labour into wage-labour in its scientific meaning).

This also establishes absolutely what *unproductive labour* is. It is labour which is not exchanged with capital, but *directly* with revenue, that is, with wages or profit (including of course the various categories of those who share as co-partners in the capitalist's profit, such as interest and rent). Where all labour in part still pays itself (like for example the agricultural labour of the serfs) and in part is directly exchanged for revenue (like the manufacturing labour in the cities of Asia), no capital and no wage-labour exists in the sense of bourgeois political

economy. These definitions are therefore not derived from the material characteristics of labour (neither from the nature of its product nor from the particular character of the labour as concrete labour), but from the definite social form, the social relations of production, within which the labour is realised. An actor, for example, or even a clown, according to this definition, is a productive labourer if he works in the service of a capitalist (an entrepreneur) to whom he returns more labour than he receives from him in the form of wages; while a jobbing tailor who comes to the capitalist's house and patches his trousers for him, producing a mere use-value for him, is an unproductive labourer. The former's labour is exchanged with capital, the latter's with revenue. The former's labour produces a surplus-value; in the latter's, revenue is consumed.

Productive and unproductive labour is here throughout conceived from *the standpoint of the possessor of money, from the standpoint of the capitalist*, not from that of the *workman;* hence the nonsense written by Ganilh, etc., who have so little understanding of the matter that they raise the question whether the labour or service or function of the prostitute, flunkey, etc., brings in returns. |303||

||304| A writer is a productive labourer not in so far as he produces ideas, but in so far as he enriches the publisher who publishes his works, or if he is a wage-labourer for a capitalist.

The use-value of the commodity in which the labour of a productive worker is embodied may be of the most futile kind. The material characteristics are in no way linked with its nature which on the contrary is only the expression of a definite social relation of production. It is a definition of labour which is derived not from its content or its result, but from its particular social form.

On the other hand, on the assumption that capital has conquered the whole of production—and that therefore a *commodity* (as distinct from a mere use-value) is no longer produced by any labourer who is himself the owner of the conditions of production for producing this commodity—that therefore only the capitalist is the producer of *commodities* (the sole commodity excepted being labour-power)—then revenue must be exchanged either against commodities which capital alone produces and sells, or against labour, which just like those commodities is bought in order to be consumed; that is, only for the sake of its particular material characteristics, its use-value—for the sake of the *services* which, through its particular material characteristics, it renders to its buyer and consumer. For the producer of these services the services rendered are commodities. They have a definite use-value (imaginary or real) and a definite exchange-value. For the buyer, however, these services are mere use-values, objects in which ||305| he consumes his revenue. These unproductive labourers do not receive their share of revenue (of wages and profits), their co-partnership in the commodities produced by productive labour, gratis: they must buy their share in them; but they have nothing to do with their production.

It is, however, in any case clear: the greater the part of the revenue (wages and profit) that is spent on commodities produced by capital, the less the part that can be spent on the services of unproductive labourers, and vice versa.

The determinate material form of the labour, and therefore of its product, in itself has nothing to do with this distinction between productive and unproductive labour. For example, the cooks and waiters in a public hotel are productive labourers, in so far as their labour is transformed into capital for the proprietor of the hotel. These same persons are unproductive labourers as menial servants, inasmuch as I do not make capital out of

their services, but spend revenue on them. In fact, however, these same persons are also for me, the consumer, unproductive labourers *in* the hotel.

> "That part of the annual produce of the land and labour of *any country which replaces a capital*, never is *immediately* employed to maintain any but productive hands. It *pays the wages of productive labour* only. That which is *immediately* destined for constituting a revenue either as profit or as rent, may maintain indifferently either productive or unproductive hands. Whatever part of his stock a man employs as a capital, he always expects it to be replaced to him with a profit. He employs it, therefore, *in* maintaining *productive hands* only; and after having served in the function of a capital to him, it constitutes a revenue to them. Whenever he employs any part of it *in maintaining unproductive hands* of any *kind*, that part is, from that moment, withdrawn from his capital, and placed in his stock reserved for immediate consumption" (l.c., p. 98).

To the extent that capital conquers the whole of production, and therefore the home and petty form of industry—in short, industry intended for self-consumption, not producing commodities—disappears, it is clear that the unproductive labourers, those whose services are directly exchanged against revenue, will for the most part be performing only *personal* services, and only an inconsiderable part of them (like cooks, seamstresses, jobbing tailors and so on) will produce material use-values. That they produce no *commodities* follows from the nature of the case. For the commodity as such is never an immediate object of consumption, but a bearer of exchange-value. Consequently only a quite insignificant part of these unproductive labourers can play a direct part in material production once the capitalist mode of production has developed. They participate in it only

through the exchange of their services against revenue. This does not prevent, as Adam Smith remarks, the value of the services of these unproductive labourers being determined and determinable in the same (or an analogous) way as that of the productive labourers: that is, by the production costs involved in maintaining or producing them. Other factors also come into play in this connection, but they are not relevant here.

||306| The labour-power of the productive labourer is a commodity for the labourer himself. So is that of the unproductive labourer. But the productive labourer produces commodities for the buyer of his labour-power. The unproductive labourer produces for him a mere use-value, not a commodity; an imaginary or a real use-value. It is characteristic of the unproductive labourer that he produces no commodities for his buyer, but indeed receives commodities from him.

> "The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value... The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people... In the same class must be ranked.., churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc." (l.c., pp. 94-95).

It itself, as has been said, this distinction between productive and unproductive labour has nothing to do either with the particular speciality of the labour or with the particular use-value in which this special labour is incorporated. In the one case the labour is exchanged with capital, in the other with revenue. In the one case the labour is transformed into capital, and creates a profit for the capitalist; in the other case it is an expenditure, one of the articles in which revenue is consumed. For

example, the workman employed by a piano maker is a productive labourer. His labour not only replaces the wages that he consumes, but in the product, the piano, the commodity which the piano maker sells, there is a surplus-value over and above the value of the wages. But assume on the contrary that I buy all the materials required for a piano (or for all it matters the labourer himself may possess them), and that instead of buying the piano in a shop I have it made for me in my house. The workman who makes the piano is now an unproductive labourer, because his labour is exchanged directly against my revenue.

[4. Adam Smith's Second Explanation: the View of Productive Labour as Labour Which Is Realised in a Commodity]

It is however clear that in the same measure as capital subjugates to itself the whole of production—that is to say, that all commodities are produced for the market and not for immediate consumption, and the productivity of labour rises in this same measure—there will also develop more and more a material difference between productive and unproductive labourers, inasmuch as the former, apart from minor exceptions, will exclusively produce *commodities*, which the latter, with minor exceptions, will perform only personal services. Hence the former class will produce immediate, material wealth consisting of *commodities*, all commodities except those which consist of labour-power itself. This is one of the aspects which lead Adam Smith to put forward other

points of difference, in addition to the first and in principle determining specific difference between productive and unproductive labour. Thus, following through various associations of ideas, he says:

> "The labour of a menial servant" (as distinct from that of a manufacturer) "*adds to the value of nothing* ... the maintenance of a menial servant *never is restored*. A man grows rich by employing a multitude of manufacturers; he grows poor, by maintaining a multitude of menial servants. The *labour of the latter*, however, *has its value*, and deserves its reward as well as that of the former. But the labour of the manufacturer *fixes and realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past*. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, ||307| on the contrary, *does not fix or realise itself in any particular subject or vendible commodity*. His *services generally perish in the very instant of their performance*, and *seldom leave any trace or value behind them*, for which an equal quantity of service could *afterwards* be procured. The labour of some of the most respectable orders in the society is, like that of menial servants, *unproductive of* [...] *value*, and *does not fix or realise itself in any permanent subject, or vendible commodity*" (l.c., pp. 93-94 passim).

To define the unproductive labourer we here have the following determinants, which at the same time reveal the links in Adam Smith's train of thought:

> It (the labour of the unproductive labourer) is "unproductive of [...] value", "adds to the value of nothing", "the maintenance" (of the unproductive labourer) "never is restored",

> "[it] does *not fix* or *realise itself in any particular subject or vendible commodity*". On the contrary, "his services generally perish in the very instant of their performance, and seldom leave any trace or value behind them for which an equal quantity of service could *afterwards* be procured". Finally, his labour "does* not fix or realise itself *in any permanent subject or vendible commodity*".

Here "productive of value" or "unproductive of value" is used in a different sense from that in which these terms were used originally. The reference is no longer to the production of a surplus-value, which in itself implies the reproduction of an equivalent for the value consumed. But according to this presentation the labour of a labourer is called productive in so far as he replaces the consumed value by an equivalent, by adding to any material, through his labour, a quantity of value equal to that which was contained in his wages. Here the definition by social form, the determination of productive and unproductive labourers by their relation to capitalist production, is abandoned. From Chapter IX of Book IV (where Adam Smith criticises the doctrine of the Physiocrats), it can be seen that he came to make this aberration as a result partly of his opposition to the Physiocrats and partly under their influence. If a labourer merely replaces each year the equivalent of his wages, then for the capitalist he is not a productive labourer. He does indeed replace his wages, the purchase price of his labour. But the transaction is absolutely the same as if this capitalist had bought the commodity which this labourer produces. He pays for the labour contained in the constant capital and in the wages. He possesses the same quantity of labour in the form of the commodity as he had before in the form of money. Its money is not thereby transformed into capital. In this case it is the same as if the labourer himself owned his conditions of production. He must each year deduct the value of the conditions of production from the value of his annual

product, in order to replace them. What he consumed or could consume annually would be that portion of the value of his product equal to the new labour added to his constant capital during the year. In this case, therefore, it would not be capitalist production.

The first reason why Adam Smith calls this kind of labour "productive" is that the Physiocrats call it "stérile"* and "nonproductive". **

Thus Adam Smith tells us in the chapter referred to:

> "First, this class" (namely the industrial classes, who do not carry on agriculture), "it is acknowledged " [by the Physiocrats], "*reproduces annually the value* of its own annual consumption, and *continues, at least, the existence of the stock or capital which maintains and employs it*... Farmers and country labourers, indeed, over and above the stock which maintains and employs them, reproduce annually a *neat produce*, a free rent to the landlord .., the labour of farmers and country labourers is certainly more productive than that of merchants, artificers, and manufacturers. The superior produce of the one class, however, does not render the other *barren* or *unproductive*" ([*Wealth of Nations* O.U.P. edition, Vol. II, pp. 294-95], [Garnier], l.c., t, III, p. 530).

Here, therefore, Adam Smith falls back into the Physiocratic ||308| standpoint. The real "productive labour", which produces a surplus-value and therefore a "neat produce", is agricultural labour. He abandons his own view of surplus-value and accepts that of the Physiocrats. At the same time he asserts, as against the Physiocrats, that manufacturing (and according to him, also commercial) labour is nevertheless also productive, even if not in this highest sense of the word. He therefore drops the definition by social form, the definition of what a "productive labourer" is from the standpoint of capitalist production; and asserts, in opposition to the

Physiocrats, that the non-agricultural, industrial class reproduces its own wages, that is, it does after all produce a value equal to the value it consumes, and thereby "continues, at least, the existence of the stock or capital which employs it". Hence arises, under the influence of and in contradiction to the Physiocrats, his second definition of what is "productive labour.

> "Secondly," says Adam Smith, "it seems, on this account, altogether improper to consider artificers, manufacturers, and merchants, in the same light as menial servants. *The labour of menial servants does not continue the existence of the fund which maintains and employs them. Their maintenance and employment is altogether at the expense of their masters, and the work which they perform is not of a nature to repay expense*. That work consists in *services* which *perish generally in the very instant of their performance*, and *does not fix or realise itself in any vendible commodity, which can replace the value of their wages and maintenance*. The labour, on the contrary, of artificers, manufacturers, and merchants, *naturally does fix and realise itself in some such vendible commodity*. It is up on this account that, in the chapter in which I treat of *productive* and *unproductive labour*, I have classed artificers, manufacturers, and merchants among the *productive* labourers, and menial servants among the *barren* or *unproductive*" ([ibid., p. 295], [Garnier], l.c., p. 531).

As soon as capital has mastered the whole of production, revenue, in so far as it is at all exchanged against labour, will not be exchanged directly against labour which produces *commodities*, but against mere *services*. It is exchanged partly against *commodities* which are to serve as use-values, and partly against *services*, which as such are consumed as use-values.

A *commodity*—as distinguished from labour-power itself—is a material thing confronting man, a thing of a certain utility for him, in which a definite quantity of labour is fixed or materialised.

So we come to the definition already in essence contained in point I: a productive labourer is one whose labour *produces commodities;* and indeed such a labourer does not consume more commodities than he produces, than his labour costs. His labour fixes and realises itself "*in some such vendible commodity*", "*in any vendible commodity which can replace the value of their wages and maintenance*"—(that is, of the workers who produced these commodities). By producing commodities the productive worker constantly reproduces the variable capital which he constantly consumes in the form of wages. He constantly produces the fund which pays him, "which maintains and employs him".

In the first place. Adam Smith naturally includes in the labour which fixes or realises itself in a vendible and exchangeable commodity all intellectual labours which are directly consumed in material production. Not only the labourer working directly with his hands or a machine, but overlooker, engineer, manager, clerk, etc.—in a word, the labour of the whole personnel required in a particular sphere of material production to produce a particular commodity, whose joint labour (co-operation) is required for commodity production. In fact they add their aggregate labour to the constant capital, and increase the value of the product by this amount. (How far is this true of bankers, etc.?)

||309| *Secondly*, Adam Smith says that on the whole, "generally", this is not the case with the labour of unproductive labourers. Even though capital has conquered material production, and so by and large home industry has disappeared, and the industry of the small

craftsman who makes use-values directly for the consumer at his home —even then, Adam Smith knows quite well, a seamstress whom I get to come to my house to sew shirts, or workmen who repair furniture, or the servant who scrubs and cleans the house, etc., or the cook who gives meat and other things their palatable form, fix their labour in a thing and in fact increase the value of these things in exactly the same way as the seamstress who sews in a factory, the engineer who repairs the machine, the labourers who clean the machine, or the cook who cooks in a hotel as the wage-labourer of a capitalist. These use-values are also, potentially, commodities; the shirts may be sent to the pawnshop, the house resold, the furniture put up to auction, and so on. Thus these persons have potentially also produced commodities and added value to the objects on which they have worked. But this is a very small category among unproductive workers, and does not apply either to the mass of menial servants or to parsons, government officials, soldiers, musicians and so on.

But however large or small the number of these "unproductive labourers" may be, this much at any rate is evident—and is admitted by the limitation expressed in the phrase "services which perish *generally* in the very instant of their performance", etc.— that neither the special kind of labour nor the external form of its product necessarily make it "productive" or "unproductive". The same labour can be productive when I buy it as a capitalist, as a producer, in order to create more value, and unproductive when I buy it as a consumer, a sender of revenue, in order to consume its use-value, no matter whether this use-value perishes with the activity of the labour-power itself or materialises and fixes itself in an object.

The cook in the hotel produces a commodity for the person who as a capitalist has bought her labour—the hotel proprietor; the consumer of the mutton chops has

to pay for her labour, and this labour replaces for the hotel proprietor (apart from profit) the fund out of which he continues to pay the cook. On the other hand if I buy the labour of a cook for her to cook meat, etc., for me, not to make use of it as labour in general but to enjoy it, to use it as that particular concrete kind of labour, then her labour is unproductive, in spite of the fact that this labour fixes itself in a material product and could just as well (in its result) be a vendible commodity, as it in fact is for the hotel proprietor. The great difference (the conceptual difference) however remains: the cook does not replace for me (the private person) the fund from which I pay her, because I buy her labour not as a value-creating element but purely for the sake of its use-value. Her labour as little replaces for me the fund with which I pay for it, that is, her wages, as, for example, the dinner I eat in the hotel in itself enables me to buy and eat the same dinner again a second time. This distinction however is also to be found between commodities. The commodity which the capitalist buys to replace his constant capital (for example, cotton material, if he is a cotton printer) replaces its value in the printed cotton. But if on the other hand he buys it in order to consume the cotton itself, then the commodity does not replace his outlay.

The largest part of society, that is to say the working class, must incidentally perform this kind of labour for itself; but it is only able to perform it when it has laboured "productively". It can only cook meat for itself when it has produced a wage with which to pay for the meat; and it can only keep its furniture and dwellings clean, it can only polish its boots, when it has produced the value of furniture, house rent and boots. To this class of productive labourers itself, therefore, the labour which they perform for themselves appears as "unproductive labour". This unproductive labour never enables them ||310| to repeat the same unproductive labour a

second time unless they have previously laboured productively.

Thirdly. On the other hand: an entrepreneur of theatres, concerts, brothels, etc., buys the temporary disposal over the labour-power of the actors, musicians, prostitutes, etc.—in fact in a roundabout way that is only of formal economic interest; in its result the process is the same—he buys this so-called "unproductive labour", whose "services perish in the very instant of their performance and do not fix or realise themselves "any permanent" ("particular" is also used) "subject or vendible commodity" (apart from themselves). The sale of these to the public provides him with wages and profit. And these services which he has thus bought enable him to buy them again; that is to say, they themselves renew the fund from which they are paid for. The same is true for example of the labour of clerks employed by a lawyer in his office—except for the fact that these services as a rule also embody themselves in very bulky "particular subjects" in the form of immense bundles of documents.

It is true that these services are paid for to the entrepreneur out of the revenue of the public. But it is no less true that this holds good of all products in so far as they enter into individual consumption. It is true that the country cannot export these services as such; but it can export those who perform the services. Thus France exports dancing masters, cooks, etc., and Germany schoolmasters. With the export of the dancing master, or the schoolmaster, however, his revenue is also exported, while the export of dancing shoes and books brings a return to the country.

If therefore on the one hand a part of the so-called unproductive labour embodies itself in material use-values which might just as well be commodities (vendible commodities), so on the other hand a part of the services

in the strict sense which assume no objective form—which do not receive an existence as things separate from those performing the services, and do not enter into a commodity as a component part of its value—may be bought with capital (by the *immediate* purchaser of the labour), may replace their own wages and yield a profit for him. In short, the production of these services can be in part subsumed under capital, just as a part of the labour which embodies itself in useful things is bought directly by revenue and is not subsumed under capitalist production.

Fourthly. The whole world of "commodities" can be divided into two great parts. First, labour-power; second, commodities as distinct from labour-power itself. As to the purchase of such services as those which train labour-power, maintain or modify it, etc., in a word, give it a specialised form or even only maintain it—thus for example the schoolmaster's service, in so far as it is "industrially necessary" or useful; the doctor's service in so far as he maintains health and so conserves the source of all values, labour-power itself—these are services which yield in return "a vendible commodity, etc.", namely labour-power itself, into whose costs of production or reproduction these services enter. Adam Smith knew however how little "education' enters into the costs of production of the mass of working men. And in any case the doctor's services belong to the *faux frais*[*] of production. They can be counted as the cost of repairs for labour-power. Let us assume that wages and profit fell simultaneously in total value, from whatever cause (for example, because the nation had grown lazier), and at the same time in use value (because labour had become less productive owing to bad harvests, etc.), in a word, that the part of the product whose value is equal to the revenue declines, because less new labour has been added in the past year and because the labour added has been less productive. If in such conditions capitalist and workman

wanted to consume the same amount of value in material things as they did before, they would have to buy less of the services of the doctor, schoolmaster, etc. And if they were compelled to continue the same outlay for both these services, then they would have to restrict their consumption of other things It is therefore clear that the labour of the doctor and the schoolmaster does not directly create the fund out of which they are paid, although their labours enter into the production costs of the fund which creates all values whatsoever—namely, the production costs of labour-power.

||311| Adam Smith continues:

> "Thirdly, it seems, upon every supposition, improper to say, that the labour of artificers, manufacturers, and merchants, does not increase the *real revenue* of the society. Though we should suppose, for example, as it seems to be supposed in this system, that the value of the daily, monthly, and yearly consumption of this class was exactly equal to that of its daily, monthly, and yearly production; yet it would not from thence follow, that its labour added nothing to the real revenue, to the real value of the annual produce of the land and labour of the society. An artificer, for example, who, in the first six months after harvest, executes ten pounds worth of work, though he should, in the same time, consume ten pounds worth of corn, and other necessaries, yet really adds the value of ten pounds to the annual produce of the land and labour of the society. While he has been consuming a half-yearly revenue of ten pounds worth of corn and other necessaries, he has produced an equal value of work, capable of purchasing, either to himself, or to some other person, an equal half-yearly revenue. The value, therefore, of what has been consumed and produced during these six months, is equal, not to ten, but to twenty pounds. It is possible, indeed, that no more than ten pounds worth of this value may ever have existed at any one moment of time. But if the ten pounds

> worth of corn and other necessaries which were consumed by the artificer, had been consumed by a soldier, or by a menial servant, the value of that part of the annual produce which existed at the and of the six months, would have been ten pounds less than it actually is in consequence of the labour of the artificer. Though the value of what the artificer produces, therefore, should not, at any one moment of time, be supposed greater than the value he consumes, yet, at every moment of time, the actually existing value of goods in the market is, in consequence of what he produces, greater than it otherwise would be" ([*Wealth of Nations*, O.U.P. edition, Vol. II, pp. 295-96], [Garnier], l.c., t. III, pp. 531-33).

Is not the [total] value of the commodities at any time in the market greater as a result of the "unproductive labour" than it would no without this labour? Are there not at every moment of time in the market, alongside wheat and meat, etc., also prostitutes, lawyers, sermons, concerts, theatres, soldiers, politicians, etc.? These lads or wenches do not get the corn and other necessaries or pleasures for nothing. In return they give or pester us with their services, which as such services have a use-value and because of their production costs also an exchange-value. Reckoned as consumable articles, there is at every moment of time, alongside the consumable articles existing in the form of goods, a quantity of consumable articles in the form of services. The total quantity of consumable articles is therefore at every moment of time greater than it would be without the consumable services. Secondly, however, the value too is greater; for it is equal to the value of the commodities which are given for these services, and is equal to the value of the services themselves. Since here, as in every exchange of commodity for commodity, equal value is given for equal value, the same value is therefore present twice over, once on the buyer's side and once on the seller's.

<Adam Smith goes on to say in reference to the Physiocrats:

> "When the patrons of this system assert, that the *consumption* of artificers, manufacturers, and merchants, is *equal to the value of what they produce*, they probably mean no more than that their *revenue, or the fund destined for their consumption, is equal to it*" (that is, to the value of what they produce) ([ibid., p. 296], [Garnier] l.c., p. 533).

In this the Physiocrats were right in relation to workmen and employers taken together, rent forming only a special category of the latter's profit.>

||312| <*Adam Smith* notes on the same occasion—that is, in his criticism of the Physiocrats—Book IV, Chapter IX (edit. Garnier, t. III):

> "The annual produce of the land and labour of any society can he augmented only in two ways; either, *first*, by some *improvement in the productive powers of the useful labour* actually maintained within it; or, *secondly, by some increase in the quantity of that labour*. The improvement in the productive powers of useful labour depends, first, *upon the improvement in the ability of the workman;* and, secondly, *upon that of tire machinery with which he works... The increase in the quantity of useful labour* actually employed within any society must depend altogether upon *the increase of tire capital which employs it;* and *the increase of that capitol*, a *must be exactly equal to the amount of the savings* from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons, who lend it to them" ([ibid., p. 297], [Garnier], pp. 534-35).

Here we have a double vicious circle. *First:* the annual product is augmented by greater productivity of labour. All means to augment this productivity (in so far

as this is not due to accidents of nature such as a specially favourable season, etc.) require an increase of capital. But in order to increase the capital, the annual product of labour must be increased. First circle. *Secondly:* the annual product can be augmented by an increase in the quantity of labour employed. The quantity of labour employed, however, can only be increased if the capital which employs it is first increased. Second circle. Adam Smith helps himself out of both vicious circles with "*savings*", by which he means in fact the transformation of revenue into capital.

To think of the whole profit as "revenue" for the capitalist is already in itself wrong. The law of capitalist production requires on the contrary that a part of the surplus-labour, of the unpaid labour, performed by the workman should be transformed into capital. When the individual capitalist functions as a capitalist—that is, as a functionary of capital—he himself may think of this as saving; but it also appears to him as a necessary reserve fund. The increase of the quantity of labour does not however depend only on the number of workmen, but also on the length of the working-day. The quantity of labour can therefore be increased without increasing the part of the capital that is converted into wages. Similarly, on this assumption there would be no need to increase the machinery, etc. (although it would wear out more quickly; but this makes no difference). The only thing that would have to be increased is the part of the raw material that resolves itself into seed, etc. And it remains true that, taking a single country (excluding foreign trade), surplus-labour must first be applied to agriculture before it becomes possible in the industries which get their raw materials from agriculture. A part of these raw materials, such as coal, iron, wood, fish, etc. (the last-named for example as manure), in a word, all fertilisers other than animal manures, can be got by merely increasing the labour (the number of labourers remaining the

same). There can therefore be no lack of these. On the other hand it has been shown above that the increase of productivity in its origin always presupposes merely the concentration of capital, not the accumulation of capital. Later however each process supplements the other.>

<The reason why the Physiocrats preached *laissez faire, laissez passer*, in short, free competition, is correctly stated in the following passages from Adam Smith:

> "The trade which is carried on between these two different sets of people" (country and town) "consists ultimately in a certain quantity of rude produce exchanged for a certain quantity of manufactured produce. The dearer the latter, therefore, the cheaper the former; and whatever tends in any country to raise the price of manufactured produce, tends to lower that of the rude produce of the land, and thereby to discourage agriculture."

But all fetters and restrictions placed on manufactures and foreign trade make manufactured commodities, etc., dearer. Therefore, etc. (Smith, [ibid., p.308] [Garnier trans], l.c., pp. 554-56).

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||313| Smith's second view of "productive" and "unproductive labour"—or rather the view that is interwoven with his other view—therefore amounts to this: that the former is labour which produces *commodities*, and the latter is labour which does not produce "any commodity". He does not deny that the one kind of labour, equally with the other, *is a commodity*. See above: "The labour of the latter ...has its value, and deserves its reward as well as that of the former" (that is, from the economic standpoint; there is no question of moral or other standpoints in the case of

either the one or the other kind of labour). The concept commodity however implies that labour embodies, materialises, realises itself in its product. Labour itself, in its immediate being, in its living existence, cannot be directly conceived as a commodity, but only labour-power, of which labour itself is the temporary manifestation. Just as it is only in this way that wage-labour in the true sense can be explained, so it is with "unproductive labour", which Adam Smith throughout defines by the costs of production required to produce the "unproductive labourer". A *commodity* must therefore be conceived as something different from labour itself. Then, however, the world of commodities is divided into two great categories:

On one side, labour-power.

On the other side, commodities themselves.

The materialisation, etc., of labour is however not to be taken in such a Scottish sense as Adam Smith conceives it. When we speak of the commodity as a materialisation of labour—in the sense of its exchange-value—this itself is only an imaginary, that is to say, a purely social mode of existence of the commodity which has nothing to do with its corporeal reality; it is conceived as a definite quantity of social labour or of money. It may be that the concrete labour whose result it is leaves no trace in it. In manufactured commodities this trace remains in the outward form given to the raw material. In agriculture, etc., although the form given to the commodity, for example wheat or oxen and so on, is also the product of human labour, and indeed of labour transmitted and added to from generation to generation, yet this is not evident in the product. In other forms of industrial labour the purpose of the labour is not at all to alter the form of the thing, but only its position. For example, when a commodity is brought from China to England, etc., no trace of the labour involved can be seen in the

thing itself (except for those who call to mind that it is not an English product). Therefore the materialisation of labour in the commodity must not be understood in that way. (The mystification here arises from the fact that a social relation appears in the form of a thing).

It remains true, however, that the commodity appears as past, objectivised labour, and that therefore, if it does not appear in the form of a thing, it can only appear in the form of labour-power itself; but never directly as living labour itself (except only in a roundabout way which in practice seems the same, but whose significance lies in the determination of different rates of wages). Productive labour would therefore be such labour as produces commodities or directly produces, trains, develops, maintains or reproduces labour-power itself. Adam Smith excludes the latter from his category of productive labour; arbitrarily, but with a certain correct instinct—that if he included it, this would open the flood-gates for false pretensions to the title of productive labour.

In so far therefore as we leave labour-power itself out of account, productive labour is labour which produces commodities, material products, whose production has cost a definite quantity of labour or labour-time. These material products include all products of art and science, books, paintings, statues, etc., in so far as they take the form of things. In addition, however, the product of labour must be a *commodity* in the sense of being "some vendible commodity", that is to say, a commodity in its first form, which has still to pass through its metamorphosis. (A manufacturer may himself construct a machine if he cannot get one built anywhere else, not to sell it but to make use of it as a use-value. However, he then wears it out as a part of his constant capital and so sells it piecemeal in the form of the product which it has helped to make.)

||314| Certain labours of menial servants may therefore equally well take the form of (potential) *commodities* and even of the same use-values considered as material objects. But they are not productive labour, because in fact they produce not "commodities" but immediate "*use-values*". As for labours which are productive for their purchaser or employer himself—as for example the actor's labour for the theatrical entrepreneur—the fact that their purchaser cannot sell them to the public in the form of commodities but only in the form of the action itself would show that they are unproductive labours.

Apart from such cases, productive labour is such as produces *commodities*, and *unproductive labour* is such as produces personal services. The former labour is represented in a vendible thing; the latter must be consumed while it is being performed. The former includes (except for that labour which creates labour-power itself) all material and intellectual wealth—meat as well as books—that exists in the form of things; the latter covers all labours which satisfy any imaginary or real need of the individual—or even those which are forced upon the individual against his will.

The *commodity* is the most elementary form of bourgeois wealth. The explanation of "productive labour" as labour which produces "commodities" also corresponds, therefore, to a much more elementary point of view than that which defines productive labour as labour which produces capital.

Adam Smith's opponents have disregarded his first, pertinent definition, and instead have concentrated on the second, pointing out the unavoidable contradictions and inconsistencies to which it gives rise. And their attacks were made all the easier for them by their insistence on the material content of the labour, and particularly the specific requirement that the labour must fix itself in a more or less *permanent* product. We shall

see in a moment what it was that particularly gave rise to the polemics.

But first this further point. Adam Smith says of the Physiocratic system that its great merit is that it represented the wealth of nations as consisting

> "not in the unconsumable riches of money, but in the consumable goods annually produced by the labour of the society"([*Wealth of Nations*, O.U.P. edition, p. 299], [Garnier] t. III, l. IV, ch. IX, p. 538).

Here we have a deduction of his second definition of productive labour. The definition of surplus-value naturally depended on the form in which value itself was conceived. In the Monetary and Mercantile systems it is therefore presented as *money;* by the Physiocrats, as the produce of the land, as agricultural product; finally in Adam Smith's writings as *commodity* in general. In so far as the Physiocrats touch on the substance of value, they resolve it entirely into pure use-value (matter, corporeal object), just as the Mercantilists resolve it into the pure form of value, the form in which the product *makes itself manifest* as general social labour: money. With Adam Smith, both conditions of the commodity—use-value and exchange-value—are combined; and so all labour is productive which manifests itself in any use-value, any useful product. That it is labour that manifests itself in the product already implies that the product is equal to a definite quantity of general social labour. As against the Physiocrats, Adam Smith re-establishes the value of the product as the essential basis of bourgeois wealth; but on the other hand he divests value of the purely fantastic form—that of gold and silver—in which it appeared to the Mercantilists. Every commodity is *in itself* money. It must be recognised that at the same time Adam Smith also falls back more or less into the Mercantilist conception of "permanency"—in fact,

inconsumability. We can recall the passage in Petty (see my first volume, p. 109, where I quote from Petty's *Political Arithmetick*) where wealth is valued according to the degrees in which it is imperishable, more or less permanent, and finally gold and silver are set above all other things as wealth that is "not perishable".

Adolphe Blanqui (*Histoire de l'économie politique*, Bruxelles, 1839, p.152) says [of Adam Smith]:

> "In restricting the sphere of *wealth* exclusively to those values which are embodied in material substances, he erased from the book of production the whole boundless mass of immaterial values, daughters of the *moral capital* of civilised nations," etc.

[5. Vulgarisation of Bourgeois Political Economy in the Definition of Productive Labour]

The polemics against Adam Smith's distinction between productive and unproductive labour were for the most part confined to the *dii minorum gentium*[*] (among whom moreover Storch was the most important); they are not to be found in the work of any economist ||315| of significance—of anyone of whom it can be said that he made some discovery in political economy. They are, however, the hobby-horse of the second-rate fellows and especially of the schoolmasterish compilers and writers of compendia, as well as of *dilettanti* with facile pens and vulgarisers in this field. What particularly aroused these

polemics against Adam Smith was the following circumstance.

The great mass of so-called "higher grade" workers—such as state officials, military people, artists, doctors, priests, judges, lawyers, etc.—some of whom are not only not productive but in essence destructive, but who know how to appropriate to themselves a very great part of the "material" wealth partly through the sale of their "immaterial" commodities and partly by forcibly imposing the latter on other people—found it not at all pleasant to be relegated *economically* to the same class as clowns and menial servants and to appear merely as people partaking in the consumption, parasites on the actual producers (or rather agents of production). This was a peculiar profanation precisely of those functions which had hitherto been surrounded with a halo and had enjoyed superstitious veneration. Political economy in its classical period, like the bourgeoisie itself in its *parvenu* period, adopted a severely critical attitude to the machinery of the State, etc. At a later stage it realised and—as was shown too in practice—learnt from experience that the necessity for the inherited social combination of all these classes, which in part were totally unproductive, arose from its own organisation.

In so far as those "unproductive labourers" do not produce entertainment, so that their purchase entirely depends on how the agent of production cares to spend his wages or his profit—in so far on the contrary as they are necessary or make themselves necessary because of physical infirmities (like doctors), or spiritual weakness (like parsons), or because of the conflict between private interests and national interests (like statesmen, all lawyers, police and soldiers)—they are regarded by Adam Smith, as by the industrial capitalists themselves and the working class, as incidental expenses of production, which are therefore to be cut down to the most indispensable minimum and provided as cheaply as

possible. Bourgeois society reproduces in its own form everything against which it had fought in feudal or absolutist form. In the first place therefore it becomes a principal task for the sycophants of this society, and especially of the upper classes, to restore in theoretical terms even the purely parasitic section of these "unproductive labourers", or to justify the exaggerated claims of the section which is indispensable. The *dependence* of the ideological, etc., classes on the *capitalists* was in fact proclaimed.

Secondly, however, a section of the agents of production (of material production itself) were declared by one group of economists or another to be "unproductive". For example, the landowner, by those among the economists who represented industrial capital (Ricardo). Others (for example Carey) declared that the merchant in the true sense of the word was an "unproductive" labourer. Then even a third group came along who declared that the "capitalists" themselves were unproductive, or who at least sought to reduce their claims to material wealth to "wages", that is, to the wages of a "productive labourer". Many intellectual workers seemed inclined to share the scepticism in regard to the capitalist. It was therefore time to make a compromise and to recognise the "productivity" of all classes not directly included among the agents of material production. One good turn deserves another; and, as in the *Fable of the Bees*, it had to be established that even from the "productive", economic standpoint, the bourgeois world with all its "unproductive labourers" is the best of all worlds. This was all the more necessary because the "unproductive labourers" on their part were advancing critical observations in regard to the productivity of the classes who in general were "*fruges consumere nati*"*; or in regard to those agents of production, like landowners, who do nothing at all,

etc. Both the *do-nothings* and their *parasites* had to be found a place in this best possible order of things.

Thirdly: As the dominion of capital extended, and in fact those spheres of production not directly related to the production of material, wealth became also more and more dependent on it— especially when the positive science (natural sciences) were subordinated to it as serving material production— ||316| the sycophantic underlings of political economy felt it their duty to glorify and justify every sphere of activity by demonstrating that it was "linked" with the production of material wealth, that it was a means towards it; and they honoured everyone by making him a "productive labourer" in the "primary" sense, namely, a labourer who labours in the service of capital, is useful in one way or another to the enrichment of the capitalist, etc.

In this matter even such people as Malthus are to be preferred, who directly defend the necessity and usefulness of "*unproductive* labourers" and pure parasites.

[6. Advocates of Smith's Views on Productive Labour. On the History of the Subject]

[(a) Advocates of the First View: Ricardo, Sismondi]

It is not worth the trouble to examine in detail the inanities of Germain Garnier (Smith's translator), the Earl of Lauderdale, Brougham, Say, Storch, and later Senior, Rossi, and so on, in regard to this question. We shall cite only a few characteristic passages.

But first a passage from *Ricardo*, in which he shows that it is much more advantageous for the "productive labourers" when the owners of surplus-value (profit, rent) consume it in "unproductive labourers" (as menial servants, for instance) than in luxury products produced by the "productive labourers.

<*Sismondi, Nouveaux principes*, t. I, p. 148, accepts the correct statement of Smith's distinction (as also of course does Ricardo): the real distinction between productive and unproductive classes is:

> "The one always exchanges its labour against the capital of a nation; the other always exchanges it against a part of the national revenue."

Sismondi—likewise following Adam Smith—on surplus-value:

> "Although the labourer, by his daily labour, may have produced much more than his daily outlay, after sharing with the landowner and the capitalist what remains for him is seldom much beyond what is strictly necessary for his existence" (Sismondi, *Nouveaux principes*, etc., t. I, p. 87).

Ricardo says:

> "If a landlord, or a capitalist, expends his revenue in the manner of an ancient baron, in the support of a great number of retainers, or menial servants, he will give employment to much more labour, than if he expended it on fine clothes, or costly furniture; on carriages, on horses, or in the purchase of any other luxuries. In both cases the net revenue would

be the same, and so would he the gross revenue, but the former would be realised in different commodities. If my revenue were 10,000 *l.*, the same quantity nearly of productive labour would be employed, whether I realised it in fine clothes and costly furniture, etc.,etc,, or in a quantity of food and clothing of the same value. If, however, I realised my revenue in the first set of commodities no more labour would be *consequently* employed:— I should enjoy my furniture and my clothes, and there would be an end of them; but if I realised my revenue in food and clothing, and my desire was to employ menial servants, all those whom I could so employ with my revenue of 10,000 *l.*, or with the food and clothing which it would purchase, *would be to be added to the former demand for labourers*, and this addition would take place only because I chose this mode of expending my revenue. As the labourers, then, are interested in *the demand for labour*, they must naturally desire that as much of the revenue as possible should be diverted from expenditure on luxuries, to be expended in the support of menial servants" ([David] Ricardo, [*On the] Principles [of Political Economy, and Taxation*,] third edition, [London,] 1821, pp. 475-76).

[(b) Early Attempts to Distinguish between Productive and Unproductive Labour (D'Avenant, Petty)]

D'Avenant quotes from an old statistician, Gregory King, a list entitled *Scheme of the Income and Expense of the Several Families of England, calculated for the year 1688.* In this, the erudite King divides the whole nation into two main classes: "*Increasing* the Wealth of the Kingdom—2,675,520 heads", and "*Decreasing* the Wealth of the Kingdom—2,825,000 heads"; thus the former is the "productive" class, the latter the "unproductive". The "*productive*" class consists of Lords,

Baronets, Knights, Esquires, Gentlemen, Persons in Office and Places, merchants in oversea trade, Persons in the Law, Clergymen, freeholders, farmers, persons in liberal arts and sciences, shopkeepers and tradesmen, artisans and handicrafts, Naval Officers, Military Officers. As against these, the "*unproductive*" class consists of: common seamen, labouring people and out servants (these are agricultural labourers and day wage-labourers in manufacture), cottagers (who in D'Avenant's time were still a fifth of the total English population), ||317| common soldiers, paupers, gipsies, thieves, beggars and vagrants generally. D'Avenant explains this list of ranks prepared by the learned King as follows:

> "By which he means, That the First Class of the People, from Land, Arts and Industry, maintain themselves, and add every Year something to the Nation's General Stock; and besides this, out of their Superfluity, contribute every Year so much to the maintenance of Others. That of the Second Class, some partly maintain themselves by Labour [...] but that the rest, as most of the Wives and Children of these, [...] are nourish'd at the Cost of Others; and are a Yearly Burthen to the Publick, consuming Annuallv so much as would be otherwise added to the Nation's General Stock" (D'Avenant, *An Essay upon the Probable Methods of Making a People Gainers in the Ballance of Trade*, London, 1699, p. 50).

In addition to this, the following passage from D'Avenant is rather characteristic of the views of the Mercantilists on surplus-value:

> It is "... the Exportation of our own Product that must make England rich; to he Gainers in the Ballance of Trade, we must carry out of our own Product, what will purchase the Things of Foreign Growth that are needful for our own Consumption, with some *Overplus either* in Bullion or Goods to he sold in other Countries; *which Overplus* is the *Profit a*

Nation makes by Trade, and it is more or less according to the natural Frugality of the People that Export," (a frugality which the Dutch have, but not the English—l.c., pp. 46-47) "or as from the low Price of Labour and Manufacture they can afford the Commodity cheap, and at *a rate not to be under-sold in Foreign Markets*" (D'Avenant, l.c., pp. 45-46).

<"... by what is Consum'd at Home, one loseth only what another gets, and the Nation in General is not at all the Richer; but all Foreign Consumption is a clear and certain Profit" (*An Essay on the East-India Trade*, etc., London, 1697). [In D'Avenant, *Discourses on the Publick Revenues, and on the Trade of England*... Part II, London, 1698, p. 31.]>

<This work *printed in the form of an appendix* to another work of D'Avenant's, which he tries to defend, is not the same as the *Considerations on the East-India Trade*, 1701, quoted by McCulloch.>

Incidentally, it must not be thought that these Mercantilists were as stupid as they were made out to be by the later Vulgar-Freetraders. In Volume II of his *Discourses on the Publick Revenues, and on the Trade of England*, etc., *London, 1698*, D'Avenant says among other things:

"Gold and Silver are indeed the Measure of Trade, but the Spring and Original of it, in all Nations, is the Natural, or Artificial Product of the Country, that is to say, what their Land, or what their labour and Industry produces. And this is so true, that a Nation may be suppos'd, by some Accident, quite without the Species of Money, and yet, if the People are numerous, industrious, vers'd in Traffick, skill'd in Sea-Affairs, and if they have good Ports, and a Soil fertile in variety* of Commodities, such a people will have Trade, [...] and, they shall quickly get among 'em, a plenty of Gold and Silver**: So that the real and effective Riches of a Country, is its Native Product" (p.45). "Gold and Silver are so far from being [...] the only

> Things that deserve the name of Treasure, or the Riches of a Nation that in truth, Money is at Bottom no more than the Countries with which Men in their dealings have been accustom'd to reckon (p. 46). "We understand that to be Wealth which maintains the Prince, and the general Body of his People, in Plenty, Ease and Safety. We esteem that to be Treasure which for the use of Man has been converted from Gold and Silver, into Buildings and Improvements of the Country. As also other Things *convertible* into those Metals, as the Fruits of the Earth, Manufactures or Foreign Commodities and stock of Shipping ... even perishable Goods, may be he1d the Riches of a Nation, if they are *convertible*, tho'not *converted* into Gold and Silver; and this we believe does not only hold between Man and Man, [...] but between one Country and another" (pp. 60-64). "The Common People being the Stomach of the Body Politick, [...] that Stomach" in Spain did not take the money as it should have done, ||318| and failed to digest it. ... "Trade and Manufactures are the only Mediums by which such a digestion and distribution of Gold and Silver can be made, as will be Nutritive to the Body Politick" (pp. 62-63).

Moreover, Petty too had the conception of *productive labourers* (though he also includes soldiers):

> "Husbandmen, Seamen, Soldiers, Artizans and Merchants, are the very Pillars of any Common-Wealth: all the other great Professions, *do rise out of the infirmities and miscarriages of these;* now the Seaman is three of these four" (navigator, merchant, soldier) ([William Petty,] *Political Arithmetick*, etc. [in *Several Essays in Political Arithmetick*], London, 1699, p. 177). "... the Labour of Seamen, and Freight of Ships, is always of the nature of an Exported Commodity, the *overplus* whereof, above what is Imported, brings home Money, etc." (p. 179).

In this connection Petty also explains the advantages of the division of labour:

> "Those who have the command of the Sea-Trade, may Work at easier Freight with more profit, than others at greater:" (higher freight charges) "for a Cloth must be cheaper made, when one" etc., "another" etc. "so those who command the Trade of Shipping, can build " different sorts of vessels for different purposes, "one sort of vessels for the turbulent Sea, another for Inland Waters and Rivers ... one sort for War ... another for Burthen", etc. ... And this "is" the chief of several Reasons, why the Hollanders can go at less Freight than their Neighbours, viz., because they can afford a particular sort of Vessels for each particular Trade"* (l.c., pp. 179-80).

Here too Petty strikes quite a Smithian note when he continues:

> If taxes are taken from industrialists, etc., in order to give [money] to those who in general are occupied in ways "which produce *no material thing*, or things of real use and value in the *Commonwealth:* In this case, the Wealth of the Publick will be diminished: Otherwise than as such Exercises, are Recreations and Refreshments of the mind; and which being moderately used, do qualify and dispose Men to what in it self is more considerable" (l.c., p. 198). After computing how many people are needed for industrial work "...The Remainder [...] may safely and without possible prejudice to the Commonwealth, be employed in the Arts and Exercises of Pleasure and Ornament: *the greatest whereof is the improvement of natural Knowledge*" (l.c., p. 199). "There is much more to be gained by Manufacture than Husbandry; and by Merchandize than Manufacture..." (l.c., p. 172). "... a Seaman is in effect three Husbandmen..." (p. 178). |VII-318||

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||VIII-346| *Petty, Surplus-Value*. In one passage of Petty's there can be seen an anticipation of the nature of *surplus-value*, although he treats it only in the form of rent. Especially when it is put alongside the following passage, in which he determines the relative value of silver and corn by the relative quantities of each that can be produced in the same labour-time.

> "If a man can bring to London an ounce of Silver out of the Earth in Peru, in the same time that he can produce a Bushel of Corn, then one is the natural price of the other; now if by reason of new and more easier Mines a man can get two ounces of Silver as easily as formerly he did one, then Corn will be as cheap at ten shillings the Bushel, as it was before five shillings, *caeteris paribus**."

> "...let a hundred men work ten years upon Corn, and the same number of men the same time, upon Silver; I say, that the neat proceed of the Silver is the price of the whole neat proceed of the Corn, and like parts of the one, the price of like parts of the other."

> "Corn will be twice as dear where** are two hundred Husbandmen to do the same work which an hundred could perform..." ([William Petty], *On Taxes and Contributions*, 1662) (in the edit. of 1679, pp. 32, 24, 67).

The passages to which I alluded above are the following:

> "... as Trades and curious Arts increase; so the Trade of Husbandry will decrease, or else the Wages of Husbandmen must rise, and *consequently* the Rents of Lands must fall" (p. 193).

> "... if Trade and Manufacture have increased in England ... if a greater part of the People, apply themselves to those Faculties, than there did heretofore, and if the price of Corn he no greater now, than when Husbandmen were more numerous, and the Tradesmen fewer: it follows from that single reason .., that the

Rents of Land must fall: As for Example, suppose the price of Wheat be 5s. or 60d. the Bushel; now if the Rent of the Land whereon it grows be the third Sheaf"; (i.e., part, share) "then of the 60d. 20d. is for the Land, and 40d, for the Husbandman; but if the Husbandman's wages should rise one-eighth part, or from 8d. to 9d. per Diem,*** then the Husbandman's share in the Bushel of Wheat rises from 40d. to 45d. and consequently the Rent of the Land must fall from 20d. to 45d. for we suppose *the price of the Wheat still remains the same;* especially *since we cannot raise it*, for if we did attempt it, Corn would be brought in to us, ||347| (as into Holland) from Foreign Parts, where the State of Husbandry was not changed." ([William Petty], *Political Arithmetick* [in *Several Essays in Political Arithmetick*], London, 1699, pp. 493-94.) |VIII—347||

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||VIII-364| <*Petty*. The following passage, where rent in general is treated as a surplus-value, a net product, should be compared with the one quoted above from Petty:

"Suppose a man could with his own hands plant a certain scope of land with Corn, that is, could Dig, or Plough: Harrow, Weed, Reap, Carry home, Thresh, and Winnow so much as the Husbandry of this Land required [...]. I say, that when this man hath subducted his seed out of the proceed of his Harvest, and also what himself hath both eaten and given to others in exchange for Clothes, and other Natural necessaries; that the Remainder of Corn is the natural and true Rent of the Land for that year; and the *medium* of seven years, or rather of so many years as makes up the Cycle, within which Dearths and Plenties make their revolution, doth give the ordinary Rent of the Land in Corn. But a further, though collateral question may he, how much *English* money this Corn or Rent is worth; I answer so much as the money, which another single man can save,

within the same time, over and above his expense, if he imployed himself wholly to produce and make it; viz. Let another man go travel into a Countrey where is Silver, there Dig it, Refine it, bring it to the same place where the other man planted his Corn; Coyne it, etc. the same person, all the while of his working for Silver, gathering also food for his necessary livelihood, and procuring himself covering, etc. I say, the Silver of the one must he esteemed of equal value with the Corn of the other" (*Traité des taxes*, pp. 23-24). [William Petty, *A Treatise of Taxes, and Contributions*..., London, 1662, pp. 23-24. Marx quotes the passage from Charles Ganilh, *Des Systeme d'économie politique*..., t. II, Paris, 1821, pp. 36-37.]> |VIII-364||

[(c) John Stuart Mill, an Adherent of Smith's Second View of Productive Labour]

||VII-318| Mr. *John Stuart Mill*, in *Essays on Some Unsettled Questions of Political Economy*, London, 1844, also struggled with the problem of productive and unproductive labour; but in so doing he in fact added nothing to Smith's (second) definition except that labours which produce labour-power itself are also productive.

"*Sources of enjoyment* may he accumulated and stored up; enjoyment itself cannot. The wealth of a country consists of the sum total of the permanent sources of enjoyment, whether material or immaterial, contained in it; and labour or expenditure which tends to augment or keep up these permanent sources, should, we conceive, be termed *productive*" (l.c., p. 82). "If the mechanic who made the spinning-jenny laboured productively, the spinner also laboured productively when he was learning his trade: and what they both consumed productively, that is to say, its consumption did not tend to diminish, but to increase the sum of the permanent sources of enjoyment in the country, by effecting a new creation of those

sources, more than equal to the amount of the consumption" (l.c., p. 83).

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We will now briefly run over the twaddle written against Adam Smith in connection with productive and unproductive labour.

[7.] Germain Garnier [Vulgarisation of the Theories Put Forward by Smith and the Physiocrats]

||319| The fifth volume [contains Garnier's] Notes to his translation of Smith's *Wealth of Nations* (Paris, 1802).

On "productive labour" in the highest sense Garnier shares the view of the Physiocrats; he only makes it somewhat weaker. He opposes Smith's view that "productive labour .., is that which realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past" ([Garnier] 1.c., t. V, p. 169). |VII-319||

[(a) Confusion of Labour which Is Exchanged Against Capital with Labour Exchanged against Revenue. The False Conception that the Total Capital Is Replaced through the Revenue of the Consumers]

||VIII-347| (*Germain Garnier*). He brings forward various arguments against Adam Smith (which are in part repeated by later authors).

First.

> "This distinction is false, inasmuch as it is based on a difference which does not exist. *All labour is productive* in the sense in which the author uses this word *productive*, The labour of the one as of the other of these two classes is equally productive of some enjoyment, commodity or utility for the person who pays for it, otherwise this labour would not find wages."

<It is therefore productive because it produces some use-value and is sold, has an exchange-value, and is thus itself a commodity.>

In developing this point, however, Garnier cites examples by way of illustration, in which the "unproductive labourers" do *the same thing*, produce the same use-value or the same kind of use-value as the "productive". For example:

> "The servant who is in my service, who lights my fire, who dresses my hair, who cleans and keeps in order my clothes and my furniture, who prepares my food, etc., performs *services absolutely of the same kind* as the laundress or the seamstress who cleans and keeps in order her customers' Linen: as the eating-house keeper, cook-shop proprietor or publican who carries on his trade of preparing food for persons whom it suits better to come and dine with him; as the barber, the hairdresser" (for Adam Smith, however, most of these fellows are as little reckoned among productive workers as the servants) "who perform immediate services; finally as the mason, the tiler, joiner, the glazier, the stove setter [...], etc., and the multitude of building labourers who come when they are called to carry out restorations and repairs, and whose annual

> income depends as much on simple repair and maintenance work as on new construction."

(Adam Smith nowhere says that the labour which fixes itself in a more or less permanent object cannot be equally well repairs as the making of new things.)

> "This kind of labour consists less in producing than in maintaining; its aim is less to add to the value of the subjects to which it is applied than to prevent their decay. All these labourers, including the servants, so *ye the person who pays them the labour of maintaining his own things...* "

(They can therefore be regarded as machines for maintaining value, or rather use-values. *Destutt de Tracy* also asserts this view of the "saving" of labour. See further on. The unproductive labour of one does not become productive by saving the other *unproductive labour*. One of the two performs it. A part of Adam Smith's unproductive labour—but only the part which is absolutely necessary in order to consume things, which so to speak belongs to the *costs of consumption* (and then, too, only when it saves this time for a productive worker)—becomes necessary as a result of the division of labour. But Adam Smith does not deny this "division of labour". If everyone had to perform productive and unproductive labour, and through the dividing up of these kinds of labour between two persons both were better performed, according to Adam Smith this would in no way alter the circumstance that one of these labours is productive and the other unproductive.)

> "It is for that and for that alone that they most often labour" (for one person to save the labour of looking after himself, ten have to look after him—a curious way of "saving" labour; besides "unproductive labour" of this kind is most often made use of by those who do nothing); "thus, either they are all *productive*, or none of them is productive" (l.c., p.172).

||348| *Secondly*. A Frenchman cannot forget the *ponts et chaussées*.* Why, he says, call productive

> "the labour of an inspector or director of a private enterprise in trade or manufacture, and *non-productive*, the labour of the government official who, watching over the upkeep of public highways, of navigable canals and ports, of monies and other important instruments destined to enliven commercial activity, watching over the security of transport and communications, the carrying out of conventions, etc., can with justice be regarded as the *inspector of the great social manufacture?* It is labour of absolutely the same nature, though on a vaster scale" (pp. 172-73).

In so far as such a lad takes part in the production (or conservation and reproduction) of material things which could be sold were they not in the hands of the State, Smith might call his labour "productive". "Inspectors of the great social manufacture" are purely French creations.

Thirdly. Here Garnier falls into "moralising". Why should the "manufacturer of perfumery, who flatters my sense of smell", be productive and not the musician, who "enchants my ear"? (p. 173). Smith would reply: because the former supplies a material product and the latter does not. Morals and the "merits" of the two lads have nothing to do with the distinction.

Fourthly. Is it not a contradiction that the "violin maker, the organ builder, the music dealer, the mechanic, etc.", are productive, and the professions for which these labours are only "preparations" are unproductive?

> "All of them have, as the final aim of *their labour, a consumption of the same kind.* If the result which some of them have in view does not deserve to be counted among *the products* of the labour of society, why should

> one treat more favourably what is nothing but a *means for attaining this result*?"(l.c., p. 173).

On this reasoning, a man who eats corn is just as productive as the man who produces it. For with what aim is corn produced? In order to eat it. So if the labour of eating is not productive, why should the labour of cultivating corn be productive, since it is only a means for attaining this aim? Besides, the man who eats produces brain, muscles, etc., and are these not just as worthy products as barley or wheat?—an indignant friend of humanity might ask Adam Smith.

In the first place, Adam Smith does not deny that the unproductive labourer produces a product of some sort. Otherwise he would not be a labourer at all. Secondly, it may seem strange that the doctor who prescribes pills is not a productive labourer, but the apothecary who makes them up is. Similarly the instrument maker who makes the fiddle, but not the musician who plays it. But that would only show that "productive labourers" produce products which have no purpose except to serve as means of production for unproductive labourers. Which however is no more surprising than that all productive labourers, when all is said and done, produce firstly the means for the payment of unproductive labourers, and secondly, products which are consumed by those who *do not perform any labour*.

Of all these comments, No. II is that of a Frenchman who can't forget his *ponts et chaussées;* No. III amounts only to morals; No. IV either contains the stupidity that consumption is just as productive as production <which is not true in bourgeois society, where one produces and another consumes> or that some productive labour merely produces the material for unproductive labour, which Adam Smith nowhere denies. Only No. I contains the correct point that Adam Smith, by his second definition, calls *the same* kinds of

labour ||349| productive and unproductive—or rather that according to his own definition he would have to call a relatively small part of his "unproductive" labour *productive;* a point therefore that does not tell against the *distinction*, but against the *subsumption* of certain activities under the distinction or *the way it is applied*. After making all these comments, the learned Garnier finally comes to the point.

> "The only general difference that can, it seems, be observed between [...] the two classes assumed by Smith, is that in the class which he calls *productive*, there is or *may always be some intermediary person between the maker of the object and the person who consumes it;* whereas in the *labour* that he calls *non-productive, there cannot be any intermediary*, and the relation *between the labourer and the consumer is necessarily direct and immediate*. It is evident that there is *necessarily* a direct and immediate relation between the person who uses the experience of the physician, the skill of the surgeon, the knowledge of the lawyer, the talent of the musician or actor, or finally the services of the domestic servant, and each of these different hired workers at the moment of their labour; while in the professions constituting the other class, *the thing to be consumed being material and palpable, it can be the subject of many intermediary exchanges* after leaving the person who makes it before it reaches the one who consumes it" (p. 174).

In these last words Garnier shows, in spite of himself, the concealed association of ideas that exists between Smith's first distinction (labour which is exchanged against capital, and labour which is exchanged against revenue) and his second (labour which fixes itself in a material, vendible commodity and labour which does not so fix itself). The latter by its nature *cannot* for the most part be subordinated to the capitalist mode of production; the former can. To say nothing of the fact *that on the basis of capitalist production*, where the great majority of

material commodities—material and palpable things—is produced by wage-labourers under the domination of capital, [unproductive] labours (or services, whether those of a prostitute or of the Pope) can only be paid for either out of the wages of the productive labourers, or out of the profits of their employers (and the partners in those profits), quite apart from the circumstances that those productive labourers produce the material basis of the subsistence, and consequently, the existence, of the unproductive labourers. It is however characteristic of this shallow French cur that he, who wants to be an expert in political economy and so an explorer of capitalist production, considers *inessential* the feature which makes this production capitalist—the exchange of capital for wage-labour instead of the direct exchange of revenue for wage-labour or the revenue which the labourer directly pays to himself. By so doing Garnier makes capitalist production itself an inessential form instead of a necessary—though only historically, that is, transiently necessary —form for the development of the social productive powers of labour and the transformation of labour into social labour.

> "... it would also always be necessary to deduct from his *productive* class all labourers whose labour consists purely of cleaning, conserving or repairing finished articles, and consequently does not put any new product into circulation" (p. 175).

(Smith nowhere says that the labour or its product must enter into the circulating capital. It can enter directly into fixed capital, like the mechanic's labour repairing a machine in a factory. But in this case its *value* enters into the circulation of the product, the commodity. And the repairers, etc., who do this labour as servants, do not exchange ||350| their labour against capital but against revenue.)

> "It is in consequence of this difference that the *non-productive* class, as Smith has

> observed, subsists only on revenues. In fact, since this class allows of no intermediary between itself and the consumer of its products, that is to say, the person who enjoys its labour, it is paid immediately by the consumer; and *he pays only from revenues*. As against these, the labourers of the *productive* class, being as a rule paid by an *intermediary who intends to make a profit from their labour, are most often paid by capital*. But this capital is always in the end replaced by the revenue of a consumer, otherwise it would not circulate and therefore would not yield any profit to its possessor."

This last "but" is quite childish. In the first place, a part of the capital is replaced by capital and not by revenue, whether this part of the capital circulates or does not circulate (as in the case of seed).

[(b) Replacement of the Constant Capital by Means of the Exchange of capital against Capital]

When a coal-mine supplies coal to an ironworks and gets from the latter iron which enters into the operations of the coal-mine as means of production, the coal is in this way exchanged for capital to the amount of the value of this iron, and reciprocally the iron, to the amount of its own value, is exchanged as capital for coal. Both (considered as use-values) are products of new labour, although this labour was produced with means of labour that were already in existence. But the value of the product of the year s labour is not the product of the labour [newly added] in the year. It also replaces the value of the past labour which was materialised in the means of production. Therefore the part of the total product which is equal to this value is not a part of the product of the year's labour, but the reproduction of past labour.

Let us take for example the product of the daily labour of a coal-mine, an ironworks, a timber producer and a machine-building factory. Let the constant capital in all these industries be equal to one-third of all the component parts of value in the product: that is, let the proportion of pre-existing labour to living labour be 1 : 2. Then all these industries produce each a daily product of x, x', x'', x'''. These products are certain quantities of coal, iron, timber and machinery. As such products, they are products of the day's labour (but also of the daily consumed raw materials, fuel, machinery, etc., which have all contributed to the day's production). Let the values of these be equal to z, z', z'', z'''. These values are not the product of the day's labour, since z/3, z'/3, z''/3, z'''/3 are only equal to the value which the constant elements of z, z', z'', z''' had before they entered into the day's labour. Therefore also x/3, x'/3, x''/3, x'''/3, or a third part of the use values produced, represent only the value of the pre-existing labour and continually replace it. <The exchange which here takes place between pre-existing labour and the *product* of living labour is of quite a different nature from the exchange between labour-power and the conditions of labour existing as capital.>

x=z; yet z is the value of the total x, but one-third of z is equal to the value of the raw material, etc., contained in the total x, Thus is a part of the day's product of the labour <but not at all the product of the day's labour, but on the contrary of the previous pre-existing labour combined with it> in which the preexisting labour combined with the day's labour reappears and is replaced. Now it is true that each aliquot part of x, which is simply the quantity of actual products (iron, coal, etc.), represents in its value one-third pre-existing labour and two-thirds labour performed or added the same day. Pre-existing labour and the day's labour enter into the total product in the same proportion as they enter into each separate product of which the total product is made up. But if I divide the

total product into two parts, putting one-third on one side and two-thirds on the other, it is the same as if the one-third represents only pre-existing labour and the other two-thirds only the labour of the day. In fact the first one-third represents all past labour which entered into the total product, the full value of the means of production consumed. After deducting this one-third, therefore, the other two-thirds can represent only the product of the day's labour. The two-thirds in fact represent the total amount of the day's labour that was added to the means of production.

The last two-thirds are therefore equal to the producer's revenue (profit and wages). He can consume them, that is, spend them on articles which enter into his individual consumption. Suppose that these two-thirds of the coal produced daily were bought by the consumers or purchasers not with money, but with the commodities which they have previously transformed into money in order to buy coal with it. A part of these two-thirds of the coal will enter into the individual consumption of the coal producers themselves, for heating, etc. This part therefore does not enter into circulation, or if it does first enter into circulation it will be withdrawn again from it ||351| by its own producers. Minus this part of the two-thirds which the producers of coal themselves consume, they must exchange all the rest of it (if they want to consume it) for articles which enter into individual consumption.

In this exchange it is a matter of complete indifference to them whether the sellers of the consumable articles exchange capital or revenue for the coal; that is to say, whether for example the cloth manufacturer exchanges his cloth for coal in order to heat his private dwelling (in this case the coal itself in turn is an article of consumption for him, and he pays for it with revenue, with a quantity of cloth that represents profit); or whether James, the cloth manufacturer's footman, exchanges the cloth he has

received as wages for the coal (in this case the latter is once more an article of consumption and exchanged for the revenue of the cloth manufacturer, who in turn however has exchanged his revenue for the unproductive labour of the footman); or whether the cloth manufacturer exchanges cloth for coal in order to replace the coal required in his factory that has been used up. (In the latter case the cloth that the cloth manufacturer exchanges represents for him constant capital, the value of one of his means of production; and the coal represents for him not only the value but his means of production in kind, But for the coal producer the cloth is an article of consumption, and both cloth and coal represent for him revenue; the coal, revenue in its non-realised form; the cloth, revenue in its realised form.)

But as for the last one-third of the coal, the coal producer cannot spend it on articles which enter into his individual consumption; he cannot spend it as revenue. It belongs to the process of production (or reproduction) and must be transformed into iron, timber, machinery—into articles which form the component parts of his constant capital and without which the production of coal cannot be renewed or continued. He could, it is true, exchange also this one-third for articles of consumption (or, what is the same thing, for the money of the producers of these articles), but in fact only on the condition that he exchanges these consumption articles in turn for iron, timber, machinery—that they enter neither into his own consumption nor into the outlay of his revenue, but into the consumption and revenue outlays of the producers of timber, iron and machinery; all of whom, however, in turn find themselves in the position of not being able to expend one-third of their product on articles for individual consumption.

Now let us assume that coal enters into the constant capital of the producers of iron and timber, and of the machine builder. On the other hand iron, timber, and

machinery enter into the constant capital of the producer of coal. In so far as these products of theirs enter [into their] mutual [constant capital] to the same amount of value, they replace themselves in kind, and one has to pay the other only the balance for the surplus that he has bought from him in excess of what he has sold to him. In fact, in such a transaction money appears in practice (through the medium of bills of exchange, etc.) only as *means of payment*, not as coin, means of circulation; and only the balance is paid in money. The producer of coal will need a part of this one-third of his coal for his own reproduction, just as he deducted from the product a part of the two-thirds for his own consumption.

The whole quantity of coal, iron, timber and machinery which are reciprocally replaced in this way by the exchange of constant capital for constant capital, of constant capital in one natural form for constant capital in another natural form, has absolutely nothing to do either with the exchange of revenue for constant capital or with the exchange of revenue for revenue. It plays exactly the same role as seed in agriculture or the capital stock of cattle in cattle-rearing. It is a part of the *yearly product of labour*, but it is not a part *of the product of the year's [newly- added] labour* (on the contrary it is a part of the product of the year's labour plus the pre-existing labour), which (conditions of production remaining the same) replaces itself annually as means of production, as constant capital, without entering into any circulation other than that between dealers and dealers and without affecting the *value of* the part of the product which enters into the circulation between dealers and consumers.

Let us assume that the whole one-third of the coal is thus exchanged in kind for its own elements of production, iron, timber, machinery. <It might be possible for example to exchange the entire amount direct for machinery; but the machine builder in turn would exchange it as constant capital, not only for his own but

for that of the producers of iron and timber.> In fact, each hundredweight of the two-thirds of his product in coal ||352| which he exchanged for articles of consumption, exchanged as revenue, would, from the standpoint of value, consist of two parts, as the total product does. One-third of a hundredweight would be equal to the value of the means of production used up in the hundredweight, and two-thirds of the hundredweight would be equal to the labour newly added to this third by the producers of the coal. But if the total product is for example equal to 30,000 hundredweight he exchanges only 20,000 hundredweight as revenue. On the assumption made, the other 10,000 hundredweight would be replaced by iron, timber, machinery, etc., etc.; in a word, the whole value of the means of production used up in the 30,000 hundredweight would be replaced in kind by means of production of the same sort and of equal value.

The buyers of the 20,000 hundredweight thus do not pay a single farthing for the value of the pre-existing labour contained in the 20,000 hundredweight; for the 20,000 represent only two-thirds of the value of the total product in which the newly-added labour is realised. It comes to the same thing, therefore, as if the 20,000 hundredweight represented only labour newly added (during the year, for example) and no pre-existing labour. The buyer therefore pays the whole value of each hundredweight, pre-existing labour plus newly-added labour, and yet he pays only for the newly-added labour; and that is because the quantity he buys is only 20,000 hundredweight, only that quantity of the total product which is equal to the value of all the newly-added labour. Just as little does he pay for the farmer's seed in paying for the wheat which he eats. The producers have mutually replaced this part for each other; therefore they do not need to have it replaced a second time. They have replaced it with the part of their own product which it is

true is the year's product of their labour, but is not at all the product of their year's labour, but on the contrary is the part of their annual product that represents the pre-existing labour. Without the new labour the product would not be there; but in the same way it would not be there without the labour materialised in the means of production. If it were merely the product of the new labour, then its value would be less than it now is, and there would be no part of the product to be returned to production. But if the other method of labour [using means of production] were not more productive and did not yield more product in spite of a part of the product having to be returned to production, it would not be used.

Although no part of the value of the one-third of the coal enters into the 20,000 hundredweight of coal sold as revenue, any change in the value of the constant capital which the one-third or 10,000 hundredweight represented would nevertheless bring about a change of value in the other two-thirds which are sold as revenue. Let production in iron, timber, machinery and so on, in a word, in the elements of production of which the one-third of the product is composed, become more costly. Let the productivity of mining labour remain the same. The 30,000 hundredweight are produced with the same quantity of iron, timber, coal, machinery and labour as before. But since iron, timber and machinery have got dearer, cost more labour-time than before, more coal than before must be given for them.

||353| As previously, the product would be equal to 30,000 hundredweight. The coal-mining labour has remained as productive as it was before. With the same quantity of living labour and the same amount of timber, iron, machinery, etc., it produces 30,000 hundredweight as before. The living labour, as before, is represented by the same value, say £20,000 (reckoned in money). On the other hand timber, iron, etc., in a word, the constant capital, now cost £16,000 instead of £10,000; that is to

say, the labour-time contained in them has increased by six-tenths, or 60 per cent.

The value of the total product is now equal to £36,000; it was £30,000 before; it has therefore risen by one-fifth, or 20 per cent. So also every aliquot part of the product costs one-fifth, or 20 per cent, more than before. If a hundredweight cost £1 previously, then now it costs £1 plus one-fifth of £1=£1. 4s. Previously, $^1/_3$ or $^3/_9$ of the total product was equal to constant capital, $^2/_3$ equal to labour added. Now the proportion of the constant capital to the value of the total product is as 16,000 : 36,000 = $^{16}/_{36}$ = $^4/_9$. It amounts therefore to one-ninth [of the value of the total product] more than before. The part of the product which is equal to the value of the labour added was formerly $^2/_3$ or $^6/_9$ of the product, now it is $^5/_9$.

So we get:

	Constant capital	Labour added
Value = £36,000	£16,000 ($^4/_9$ of the product)	£20,000(the same value as before = $^5/_9$ of the product
Product = 30,000 cwt.	13,333 $^1/_3$ cwt.	16,666 $^2/_3$ cwt.

The coal miners' labour would not have become less productive; but the product of their labour plus the pre-existing labour would have become less productive; that is, $^1/_9$ more of the total product would be required to replace the component part of the value ||354 | formed by the constant capital. $^1/_9$ less of the product would be equal to the value of the labour added. Now as before the producers of iron, timber, etc., would only pay for 10,000 cwt. of coal. Previously these cost them £10,000. They will now cost them £12,000. A part of the costs of the constant capital would therefore be made good, since they would have to pay the increased price for the part of the coal which they get in replacement of iron, etc. But the

producer of coal has to buy raw material, etc., from them to the amount of £16,000. There remains therefore a debit balance of £4,000, that is, 3,333 1/3 cwt. of coal. He must therefore, as before, supply 16,666 2/3 + 3,333 1/3 cwt. = 20,000 cwt. of coal = two-thirds of the product to the consumers, who would now have to pay £24,000 for it instead of £20,000. In so doing they would have to replace for him not only labour, but also a part of the constant capital.

As regards the consumers, the matter would be very simple. If they wished to consume the same quantity of coal as before, they must pay one-fifth more for it and so must spend one-fifth of their revenue less on other products, if the production costs have remained the same in every branch of production. The difficulty lies only in this: how does the producer of coal pay for the £4,000 of iron, timber, etc., for which their producers do not want coal in exchange? He has sold the 3,333 1/3 cwt., equal to this £4,000, to the consumers of coal, and has received in exchange commodities of all kinds. But these cannot enter into his consumption or that of his labourers, but must pass into the consumption of the producers of iron, timber, etc., for he must replace in these articles the value of his 3,333 1/3 cwt. It will be said: it's quite a simple matter. All consumers of coal have to consume 1/5 less of all other commodities, or each of them has to give 1/5 more of his commodities for coal. The producers of timber, iron, etc., consume exactly this 1/5 more. However, it is not *prima facie* evident how the lowered productivity in the ironworks, machine building, timber-felling, etc., is to enable their producers to consume a larger revenue than before, since the price of their articles is supposed to be equal to their values, and, consequently, to have risen only in proportion to the diminished productivity of their labour.

Now it is assumed that iron, timber, machinery have risen in value by three-fifths, by 60 per cent. There are

only two causes which can give rise to this. Either the iron, timber, etc., production has become less productive, because the living labour used in it has become less productive, that is, a greater quantity of labour must be used to produce the same product. In this case the producers must use three-fifths more labour than before. The rate of wages has remained the same, because the lowered productivity of labour has only a passing effect on individual products. Therefore the rate of surplus-value also has remained the same. The producer needs 24 days' labour where he needed 15 before; but he pays the labourers, as before, only 10 hours' labour on each of the 24 [working-days], and makes them work 2 [hours] for nothing on each of these days, as previously. If the 15 [labourers] have therefore done 150 hours' labour for themselves and 30 for him; so the 24 work 240 hours for themselves and 48 for him. (Here we don't worry about the rate of profit.) Wages have only fallen in so far as they are spent in iron, timber and machinery, etc., which is not the case. The 24 labourers now consume $^{3}/_{5}$ more than the 15 did before. So the coal producers can set aside correspondingly more for them from the value of the 3,333 $^{1}/_{3}$ cwt, (i.e., for their master, who pays out the wages).

Or the reduced productivity in the production of iron, timber, etc., arises from the fact that parts of their constant capital, of their means of production, have become dearer. Then the same alternative applies, and finally the reduced productivity must result in the use of a greater quantity of living labour; therefore also in increased wages, which the coal producer has partly received from the consumers in the £4,000.

In the branches of production where more labour is employed, the amount of the surplus-value will have risen because the number of workers employed is greater. On the other hand, the rate of profit will have fallen in so far as all component parts of their constant capital into which

their own product enters [have risen]; whether they themselves use a part of their own product as means of production, or, as in the case of coal, their product enters as a means of production into their own means of production. However, if their circulating capital laid out in wages has increased more than the part of the constant capital that they have to replace, their rate of profit will also have risen, and they ||355| will participate in the consumption of a part of the £4,000.

An increase in the value of the constant capital (arising from lowered productivity in the branches of labour which supply it) raises the value of the product into which it enters as constant capital, and reduces the part of the product (in kind) which replaces the newly-added labour, thus making it less productive in so far as this is reckoned in its own product. For the part of the constant capital which is exchanged in kind, the position is the same as it was. The same quantity of iron, timber and coal as before will be exchanged in kind in order to replace the iron, timber and coal that has been used up, and in this transaction the higher prices will balance each other. But the surplus of coal which now forms a part of the constant capital of the coal producer and does not enter into this exchange in kind is, as before, exchanged for revenue (in the case given above, in part not only for wages but also for profit); this revenue, however, instead of going to the former consumers, accrues to the producers in whose spheres of production a greater quantity of labour is used, that is, the number of labourers has increased.

If a branch of industry produces products which enter only into individual consumption, and neither into other industries as means of production (by means of production constant capital is always meant here) nor into their own reproduction (as for example in agriculture, cattle-raising, or the coal industry, into which coal itself enters as auxiliary material), then the annual product of this branch<any possible surplus over the

annual product making no difference in this connection> must always be paid for out of revenue, wages or profit.

Let us take the case of the linen given earlier. Three yards of linen consist of: two-thirds constant capital and one-third labour added. One yard of linen therefore represents labour added. If the surplus-value is 25 per cent, then one-fifth of the 1 yard represents the profit, the other four-fifths represent the reproduction of the wages. The manufacturer himself consumes the one-fifth, or what is the same thing, others consume it and pay him the value, which he consumes in their own or in other commodities. <To simplify matters, here the whole profit is—wrongly—considered as revenue.> But he expends the four-fifths of a yard again in wages; his labourers consume them as their revenue either directly or in exchange for other consumable products, whose owners consume the linen.

This is the total part of the 3 yards of linen—the 1 yard—which the linen producers can themselves consume as revenue. The other 2 yards represent the manufacturer's constant capital; they must be reconverted into the conditions of production for linen—yarn, machinery, etc. From the standpoint of the manufacturer, the exchange 'of the 2 yards of linen is an exchange of constant capital; but he can only exchange it against the revenue of other people. So he pays for the yarn, say, with $^{4}/_{5}$ of the 2 yards or $^{8}/_{5}$ yards, and for the machinery with $^{2}/_{5}$ of a yard. The spinner and machine builder in turn can each consume $^{1}/_{3}$ of what they get, that is, the former, out of $^{8}/_{5}$ yards, $^{8}/_{15}$ of a yard; the latter $^{2}/_{15}$ out of the $^{2}/_{5}$ of a [yard]. Added together, $^{10}/_{15}$ or $^{2}/_{3}$ of a yard. But $^{20}/_{15}$ or $^{4}/_{3}$ yards must replace for them the raw material, flax, iron, coal, etc., and each of these articles in turn consists of one part which represents revenue (labour newly added), and another part which represents constant capital (raw materials and fixed capital, etc.).

The last $^{4}/_{3}$ yards, however, can only be consumed as revenue. What therefore ultimately appears as constant capital in yarn and machinery and is used by the spinner and machine builder to replace the flax, iron and coal (except for the part of the iron, coal, etc., which the machine builder replaces with machines) can only represent the part of the flax, iron and coal which forms the revenue of the flax, iron and coal producers, so that there is no constant capital to be replaced in this; that is to say, it must belong to the part of the product into which, as shown above, no part of the constant capital enters. But these producers consume what is their revenue in iron, coal, flax, etc., in linen or in other consumable products, because their own products do not enter in that form, or only to a small extent, into their individual consumption. Thus a part of the iron, flax, etc., can be exchanged for a product which only enters into individual consumption, that is linen, and in exchange for it replace for the spinner all, and for the machine builder part, of his constant capital; while in turn the spinner and machine builder, with the part of their yarn and machinery that represents revenue, consume linen and thereby replace the weaver's constant capital.

Thus in fact the whole of the linen is resolved into the profits and wages of the weaver, spinner, machine builder, flax-grower and producers of coal and of iron, while at the same time they replace the whole of the constant capital for the linen manufacturer and the spinner. The account would not balance if the final producers of raw materials had to replace their own constant capital by exchange with the linen, since this is an article for individual consumption, which does not enter into any sphere of production as means of production, ||356| as part of the constant capital. The account balances, because the linen bought by the flax-grower, producers of coal and of iron, machine builder, etc., with their own product, replaces for them only the

part of their product which consists in revenue for *them*, but in constant capital for those who buy their products. That is only possible because they replace the part of their product which does not consist of revenue and which therefore cannot be exchanged for consumable products, in kind or by the exchange of constant capital for constant capital.

In the example given above it may seem strange that it is assumed that the productivity of labour in a given branch of industry has remained the same, and yet that it has fallen, if the productivity of the living labour employed in this branch of industry is reckoned in its own product. But this is very simply explained.

Suppose the product of a spinner's labour is equal to 5 lbs. of yarn. Assume that he needs for this only 5 lbs. of cotton (that is, there is no waste); and that an lb. of yarn costs 1 shilling (we leave the machinery out of account; that is, we suppose that its value has neither fallen nor risen; for the case we are considering, therefore, its value is equal to nil). [Let] cotton [cost] 8d. an lb. Of the 5s, which the 5 lbs. of yarn costs, 40d. (5x8d.)=3s. 4d. is for the cotton, and 5x4d.=20d.=1s. 8d, is the newly-added labour. Of the total product, therefore, constant capital amounts to 3s. 4d., [that is,] 3 $^{1}/_{3}$ lbs, of yarn, and labour to 1 $^{2}/_{3}$ lbs. of yarn, Hence two-thirds of the 5 lbs. of yarn replace constant capital and one-third of the 5 lbs, of yarn, or 1 $^{2}/_{3}$ lbs., is the part of the product which pays for the labour. Assume that the price of an lb. of cotton now rises by 50 per cent, from 8d. to 12d., or 1s. Then we have for 5 lbs, of yarn, first, 5s. for 5 lbs. of cotton, and 1s. 8d. for labour added, whose quantity, and therefore whose value expressed in money, remains the same. Thus the 5 lbs. of yarn now costs 5s, plus 1s. 8d.=6s, 8d. Of this 6s. 8d., however, raw material is now 5s, and labour 1s. 8d.

6s. 8d.=80 d., of which 60d, is for raw material and 20d. for labour. Labour now only forms 20d, of the value

of the 5 lbs., 80d., or $^1/_4$=25 per cent; previously, 33 $^1/_3$ per cent. On the other hand the raw material is 60d = $^3/_4$ = 75 per cent; previously it was only 66 $^2/_3$ per cent. As the 5 lbs. of yarn now costs 80d., 1 lb. costs $^{80}/_5$d.=16d. For his 20d.—the value of the [newly-added] labour—[the spinner] will therefore get 1 $^1/_4$ lbs, of the 5 lbs, of yarn, and [the other] 3 $^3/_4$ lbs. [go for] raw material. Previously, 1 $^2/_3$ lbs. were for labour (profit and wages) and 3 $^1/_3$ lbs, for constant capital. Reckoned in its own product, therefore, the labour has become less productive, although its productivity has remained the same and only the raw material has got dearer. But it has remained equally productive, because the same labour has transformed 5 lbs. of cotton into 5 lbs. of yarn in the same time, and the actual product of this labour (considered as use-value) is only the *form of yarn* which has been given to the cotton. The 5 lbs. of cotton have been given the form of yarn as before, with the same labour. The actual product, however, consists not only of this form of yarn but also of the raw cotton, the material which has been put into this form, and the value of this material now forms a greater part of the total product than it did before, in proportion to the labour which gives it the form. Consequently the same quantity of spinning labour is paid for in less yarn, or the part of the product which replaces it has become smaller.

So much for that.

[(c) Vulgar Assumptions of Garnier's Polemics against smith, Garnier's Relapse into Physiocratic Ideas. The View of the Unproductive Labourers' Consumption as the source of Production—a step Backwards as Compared with the Physiocrats]

So in the first place Garnier is wrong when he says that the whole capital is in the end always replaced by consumer's revenue, since a part of the capital can be replaced by capital and not by revenue. Secondly, it is in itself a silly statement, since revenue itself, in so far as it is not wages (or wages paid by wages, revenue derived from wages), is profit on capital (or revenue derived from profit on capital). Finally, it is silly to say that the part of capital which does not circulate (in the sense that it is not replaced by consumer's revenue) "yields no profit to its possessor". In fact— conditions of production remaining the same—this part yields no profit (or rather, no surplus-value). But without it capital could in no case produce its profit.

||357| "All that can be deduced from this difference is that, in order to employ *productive* people, what is required is not only the *revenue of the person who enjoys their labour*, but *also a capitol which yields profit to intermediaries*, while *to employ non-productive people* the revenue which pays them is most often sufficient" (l.c., p. 175).

This one sentence is such a bundle of nonsense that it makes it clear that Garnier, the translator of Adam Smith, in fact understood nothing of what Adam Smith wrote, and in particular had no conception whatever of the essence of the *Wealth of Nations*—namely, the view that the capitalist mode of production is the most productive mode (which it absolutely is, in comparison with previous forms).

First, it is an extremely silly objection to raise against Smith, who declared that unproductive labour was labour paid directly from revenue, that "to employ *non-productive* people the revenue which pays them is most often sufficient". Now however the antithesis:

> "in order to employ productive people, what is required is not only the revenue of the person

> who enjoys their labour, but also a capital which yields profit to intermediaries. “

(How productive then must agricultural labour be for Monsieur Garnier, which in addition to the revenue which enjoys the product of the land, requires a capital which not only yields profit to intermediaries, but in addition a rent to the landowner!)

In order “to employ these productive people”, what is necessary is not first capital that employs them, and secondly revenue that enjoys their labour, but nothing other than capital, which produces the revenue, which enjoys the fruit of their labour. If as a capitalist tailor I lay out £100 in wages, this £100 produces for me say £120. It produces for me a revenue of £20, with which I can then, if I want to, also enjoy tailoring labour in the form of a “frockcoat”. If on the other hand I buy clothes for £20 in order to wear them, it is obvious that these clothes have not created the £20 with which I buy them. And the case would be the same if I got a jobbing tailor to come to my house and made him sew coats for me for £20. In the first case I received £20 more than I had before, and in the second case, after the transaction, I have £20 less than I had before. Moreover, I would soon realise that the tailor whom I pay directly from revenue does not make the coat as cheaply as if I bought it from the intermediary.

Garnier imagines that the profit is paid by the consumer. The consumer pays the “value” of the commodity; and although it contains a profit for the capitalist, the commodity is cheaper for him, the consumer, than if he had spent his revenue directly on labour causing it to produce on a small scale for his personal requirements. It is obvious here that Garnier has not the slightest idea of what capital is.

He continues:

> "Do not many unproductive workers, such as actors, musicians, etc., as a rule only receive their wages through the channel of a manager w ho draws profits from the capital placed in this kind of enterprise?" (l.c., pp.175-76).

This observation is correct, but it only shows that a part of the labourers whom Adam Smith in his second definition calls unproductive are productive according to his first definition.

> "It follows therefore that in a society in which the *productive* class is very numerous, it must be supposed that a large accumulation of capitals exists in the hands of the intermediaries or entrepreneurs of labour" (l.c., p. 176).

In fact, wage-labour on a mass scale is only another expression for capital on a mass scale.

> "It is therefore not, as Smith maintains, the proportion existing between the mass of capitals and that of revenues which will determine the proportion between the *productive* class and the *non-productive* class. This latter proportion seems to depend much more on the customs and habits of the people; on the more or less advanced degree of its industry" (l.c., p. 177).

If productive labourers are such as are paid from capital, and unproductive such as are paid from revenue, the proportion of the productive class to the unproductive is obviously that of capital to revenue. The proportional growth of the two classes, however, will not depend only on the existing proportion of the mass of capitals to the mass of revenues. It will depend on the proportion in which the increasing revenue (profit) is transformed into capital or expended as revenue. Although the bourgeoisie was originally very thrifty, with the growing productivity of capital, i.e., of the labourers, ||358| it imitates the retainer system of the feudal lords. According to the

latest report (1861 or 1862)* on the factories, the total number of persons (managers included) employed in the factories properly so called of the United Kingdom was only 775,534,* while the number of female servants in England alone amounted to 1 million. What a convenient arrangement it is that makes a factory girl to sweat twelve hours in a factory, so that the factory proprietor, with a part of her unpaid labour, can take into his personal service her sister as maid, her brother as groom and her cousin as soldier or policeman!

Garnier's last sentence is trite tautology. He makes the proportion between the productive and the unproductive classes depend, not on the proportion of capital and revenue—or rather on the mass of existing commodities which are expended in the form of capital or of revenue—but (?) on the customs and habits of the people, on the degree of development of its industry. In fact, capitalist production first appears at a certain stage of development of industry.

As a Bonapartist senator, Garnier naturally waxes enthusiastic over lackeys and servitors in general: "No class with an equal number of individuals contributes more than domestic servants to the conversion into *capital* of sums originating from *revenue* "(p. 181).

In fact, no class provides a more worthless section of recruits for the petty bourgeoisie. Garnier does not understand how Smith, "a man who has observed things with such sagacity", does not value more highly "this intermediary, placed close to the rich, in order *to gather up* the scraps of revenue which the latter so thoughtlessly dissipates" (l.c., pp. 82, 183). He himself says in this sentence that he merely "gathers up" the scraps of "revenue". But of what does this revenue consist? Of the unpaid labour of the productive labourer.

After all these extremely worthless polemics against Smith, Garnier, relapsing into Physiocracy, declares agricultural labour the only productive labour! And why? Because it "creates another new value, a value which *did not exist* in society, even as an equivalent, at the moment when this labour began to be performed; and it is this value which provides a rent to the owner of the land" (l.c., p. 184).

So what is productive labour? Labour which produces a surplus-value, a new value over and above the equivalent which it receives as wages. Smith is not to blame for Garnier's failing to understand that the exchange *of capital for labour* means *nothing but* the exchange of a commodity of a given value—equal to a given quantity of labour—for a greater quantity of labour than it itself contains, and thus creates "a new value, a value which did not exist in society, even as an equivalent, at the moment when this labour began to be performed". |VIII-358||

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||IX-400| *Monsieur Germain Garnier* had published in Paris *in 1796 Abrégé élémmentaire des principes de l'économie politique*. Along with the Physiocratic view that agriculture alone is productive another is to be found (which to a great extent explains his polemic against Adam Smith), namely, that consumption (strongly represented by the "unproductive labourers") is the source of production, and that the volume of the latter is to be measured by the volume of the former. The unproductive labourers satisfy artificial needs and consume material products, and are thus in every way useful, He also polemises, therefore, against economy (thrift). On p. xiii of his preface we find:

> "The fortune of an individual is enlarged by saving; the public fortune, *on the contrary*,

> derives its increase from the increase of consumption."

And on p. 240, in the chapter on public debts:

> "The improvement and extension of agriculture and consequently the progress of industry and commerce have *no other cause* than the extension of artificial needs."

From this he concludes that public debts are a good thing, in that they increase these needs. |IX-400||

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||XI-421| *Schmalz.* In his criticism of Smith's distinction between productive labour and unproductive labour this German afterbirth of the Physiocrats says (German edition [it was published *in*] *1818*):

> "I observe only ... that Smith's distinction between *productive* and *unproductive* labour should not be considered as essential or very precise, if one has regard to the fact that in general the labour of others never produces anything for us but a saving of time, and that this saving of time is all that forms *its value* and *its* price."*

<There is a confusion here: the value and the price of a thing is not determined by the economy of time effected through the division of labour; but I get more use-value for the same value, labour is more productive, because a greater quantity of products is produced in the same time; however as the echo of the Physiocrats he naturally could not discover value in labour-time itself.>

> "The joiner for example who makes a table for me, and the servant who takes my letters to the post, who cleans my clothes or gets for mc the things I need, both perform a service of absolutely like nature, Both the one and the other save mc the time which I myself would have to use up in doing these things, as also the

> time I would have to devote to acquire the skill and facility needed for them" (Schmalz, *Économie politique*, traduit par Henri Jouffroy, etc., t. I, 1826, p. 304).

The following remark of this same scribbler Schmalz**** is also important for the link with Garnier, for instance his consumption system (and the economic utility of vast expenditure) with the Physiocratic system:

> "This system" (Quesnay's) "regards the consumption of artisans, and even of *those who merely consume*, as meritorious, because this consumption, even though in an indirect and mediated way, contributes to the growth of the nation's revenue; since but for *this consumption the consumed products would not have been produced from the land and could not have been added to the revenue of the landowner*" (p. 321). |IX-421||

[8.] Charles Ganilh [Mercantilist Conception of Exchange and Exchange-Value. Inclusion of All Paid Labour in the Concept of Productive Labour]

||VIII-358| A very inferior and superficial compilation is Charles Ganilh's *Des systémes d'économie politique*, First edition Paris *1809*, second *1821*. (Quotations from the latter.) His twaddle is directly linked with Garnier, against whom he polemises.

<*Canard* in *Principes d'économie politique* defines "*wealth*" [as] "*an accumulation of supeflruous labour*". Had he said that it is the labour which is superfluous for keeping the labourer alive as a labourer, the definition would be correct.>

Monsieur Ganilh's starting-point is the elementary fact that the commodity is the element of bourgeois wealth, and therefore labour, in order to produce wealth, must produce commodities, must *sell* itself or its product.

> "In the present state of civilisation, labour is only known to us through exchange" (l.c., t. I, p. 79). "Labour without exchange can produce no wealth" (l.c., p. 81).

From this Ganilh jumps straight into the Mercantile system.

> Because labour without exchange creates no bourgeois wealth. "wealth comes exclusively from trade" (l.c., p. 84). Or, as he says later: "Exchange or trade alone gives value to things" (l.c., p. 98). On this "principle of the identity of values and wealth ... rests the doctrine of the fruitfulness of general labour" (l.c., p. 93).

Ganilh himself declares ||359| that the "commercial system" which he calls a mere "modification" of the monetary system

> "derives private and public wealth from the exchangeable values of labour, whether these values are or are not fixed in material, durable, and permanent objects" (l.c., p. 95).

He thus falls into the Mercantile system, as Garnier fell into the Physiocratic. His trash, if good for nothing else, is consequently not had as a characterisation of this system and of its views on "surplus-value", especially as he puts forward these views in opposition to Smith, Ricardo, etc.

Wealth is exchangeable value; all labour which produces an exchangeable value or itself has an exchangeable value consequently produces wealth. The only word in which Ganilh shows himself a more profound Mercantilist, is the word *general* labour. The labour of individuals, or rather its product, must take the form of general labour. Only so is it exchange-value, *money*. In fact, Ganilh comes back to the view that wealth is equivalent to money; though no longer only gold and silver, but the commodity itself, in so far as it is *money*. He says: "*Commercial system*, or the exchange of values of *general labour*" (l.c., p. 98). This is nonsense. The product is value as the form of existence, as the incarnation of general labour, but not as "the *value* of general labour", which would be equivalent to the value of value. But let us assume that the commodity is constituted as value, and has even taken on the form of money, is metamorphosed. It is now exchangeable value. But how great is its value? All commodities are exchangeable value. They are not different from each other in this. But what makes the exchangeable value of a definite commodity? Here Ganilh does not get beyond the crudest superficiality. A is of greater exchange-value when it exchanges for more B, C, D, etc.

Ganilh is quite right when he says of Ricardo and most economists that they consider labour without exchange, although their system, like the whole bourgeois system, rests on exchange-value. This however is only due to the fact that to them the *form* of product as commodity seems self-evident, and consequently they examine only the *magnitude of value*. In exchange the products of individuals only manifest themselves as products of general labour by taking the form of *money*. This relativity, however, originates from the fact that they must present themselves as the form of existence of general labour, and can be reduced to it only as relative,

merely quantitatively different expressions of social labour. But the exchange itself does not give them their *magnitude of value*. In exchange they appear as general social labour; and the extent to which they can appear as general social labour depends on the extent to which they can present themselves as social labour, that is, on the extent of the commodities for which they can be exchanged, and therefore on the expansion of the market, of trade; on the range of commodities in which they can be expressed as exchange-value. For example, were there only four different branches of production in existence, each of the four producers would produce a great part of his product for himself. If there are thousands, then he can produce his total product as commodities. It can enter entirely into exchange. But Ganilh imagines, with the Mercantilists, that *the magnitude of value is itself the product of exchange*, whereas in fact it is only the form of value or the form of *commodity* which the product receives through exchange.

> "Exchange gives *things* a value which they would not have had without it" (p. 102).

If this means that *things*, use-values, only become value, receive this form as relative expressions of social labour, it is a tautology. But if it is intended to mean that through exchange they get a greater value than they would have had without it, it is clearly nonsense, for exchange can only increase A's magnitude of value by reducing that of B. So far as it gives A a greater value than it has before the exchange, it gives B a smaller value. A+B, *therefore, has the same value after the exchange as it had before it*.

> "The most useful products may have no value if exchange does not give any to them" (p. 104).

(First, if these things are "products", they are from the start products of labour, not general elemental things

provided by nature like air, etc.; if they are "the most useful", they are use-values in the highest sense, use-values that everyone needs; if exchange gives them *no* value, this is only possible if everyone produces them for himself; this however contradicts ||360| the assumption that they are produced for exchange; therefore the whole proposition is nonsense.)

> "And the most useless products may have very great value, if exchange is favourable for them" (p. 104).

For Monsieur Ganilh, "exchange" is a mystical being. If the "most useless" products are no use for anything, have no use-value, who will buy them? They must therefore have at least an imaginary "utility" for the buyer. And if he is not a fool, why should he pay more for them? Their dearness must therefore originate in some circumstance which in any case does not arise from their "uselessness". Their "scarcity", rarity? But Ganilh calls them "the most useless *products*". As therefore they are products, why are they not produced in greater quantities, in spite of their great "exchange-value"? If before it was the buyer who was a fool, giving a lot of money for something that had neither a real nor an imaginary use-value for him, now it is the seller, who does not produce these trifles of great exchange-value instead of utilities of small value. That their exchange-value is great in spite of their small use-value (use-value determined by the natural needs of man), must therefore be due to some circumstance that originates not from Lord Exchange, but from the product itself. *Its high exchange-value is therefore not the product of exchange, but only appears in exchange.*

> "The exchanged value of things and not their exchangeable value establishes *the real value*, the value which is identical with wealth" (l.c., p. 104).

But exchangeable value is a relation of the thing to other things with which it can be exchanged. <The correct point underlying this statement is: what compels the transformation of the commodity into money is that it has to enter into exchange as an exchangeable value, but only becomes that as the result of exchange.> On the other hand, the exchanged value of A is a definite quantity of products B, C, D, etc. Therefore (according to Monsieur Ganilh) it is no longer a value, but a thing, without exchange. B, C, D, etc., were not "values". A has become a value through these non-values stepping into its place (as exchanged value). By the mere change of place—after they have come out of exchange and find themselves in the same position as before—these things have become values.

> "It is therefore neither the real utility of things, nor their *intrinsic* value, which makes them wealth; it is exchange which fixes and determines their value, and it is this value which identifies them with wealth" (l.c., p. 105).

Lord Exchange fixes and determines something which was there or was not there. If only exchange creates the value of things, then this value, this product of exchange, ceases to exist as soon as exchange itself ceases. Thus what it makes, it equally unmakes. I exchange A for B+C+D, In the act of this exchange A gets value. As soon as the act is past, B+C+D stands on the side where A was, and A on the side where B+C+D was. And in fact each stands on its own, outside Lord Exchange, who only consisted of this change of place. B+C+D is now things, not values. So is A. Or exchange "fixes and determines" in the literal meaning of the word. A dynamometer determines and fixes the degree of strength of my muscles, but it does not make it. In this case value is not produced by exchange.

> "There is in truth no wealth for individuals and for peoples, except when each labours for all" (that is to say, when his labour takes the

> form of *general social labour*, for in any other meaning this would be nonsense; since, except in the form of general social labour, an iron manufacturer does not work for all, but *only* for consumers of iron); "and all for each" (which again is nonsense, if we are dealing with use-value, for the products of all are without exception special products, and each person needs only special products; what this means is therefore only that each special product takes on a form in which *it exists for everyone;* and it only exists in this form, not because as a special product it is distinct from the product of each other person, but because it is identical with it; that is, once more the form of social labour as it exists on the basis of commodity production) (l.c., p. 408).

||361| From this definition—exchange-value is the expression of the labour of the isolated individual as general social labour—Ganilh falls once more into the crudest conception: that exchange-value is the proportion in which commodity A exchanges against commodity B, C, D, etc. A has great exchange-value if much B, C, D is given for it; but then little A is given for B, C, D. Wealth consists of exchange-value. Exchange-value consists of the relative proportion in which products exchange for each other. The total quantity of products has therefore no exchange-value, since it is not exchanged for anything. Hence, society, whose wealth consists of exchange-values, has no wealth. Consequently it follows not only, as Ganilh himself concludes, that the "national wealth, which is composed of the exchange-values of labour" (p.108), can never rise and can never fall in exchange-value (therefore there is *no surplus-value*), but that it has no exchange-value whatever, and so is not wealth, since wealth consists only of exchangeable values.

> "If the abundance of wheat makes *its value fall*, the farmers will he less rich, because they have less exchange-values to obtain for themselves things that are necessary, useful or pleasant for life; but the consumers of wheat

> will profit from all that the farmers have lost: the loss of some will be compensated by the gain of others, and the general wealth will undergo no change" (pp. 108-09).

Excuse me. The consumers of wheat eat the wheat and not the exchangeable value of the wheat. They are richer in means of subsistence, but not in exchangeable value. They have exchanged a small amount of their products—which have a high exchange-value because of their relative paucity as compared with the quantity of wheat for which they are exchanged—for the wheat. The farmers have now received the *high exchange-value* and the consumers a good deal of wheat of small exchange-value, so that now the latter are the poor ones and the farmers the rich.

Moreover, the total (the social total of exchange-values) loses its nature of being exchange-value in the same degree as it becomes the total of exchange-values. A, B, C, D, E, F have exchange-value in so far as they are exchanged for each other. When they have been exchanged, they are then all products for their consumers, their purchasers. By exchanging hands they have ceased to be exchange-value. And thereby the wealth of society, which is composed of exchangeable values, has disappeared. The value of A is relative; it is its exchange relation to B, C, etc. A+B has less exchange-value, because its exchange-value now exists only in relation to C, D, E, F. But the total of A, B, C, D, E, F has no exchange-value at all, because it expresses no relation. The total of commodities is not exchanged for other commodities. Therefore the wealth of society, which consists of exchange-values, has no exchange-value and is consequently not wealth.

> "Hence it is that it is difficult, and perhaps impossible, for a country to enrich itself by internal commerce. It is not at all the same for peoples who engage in foreign trade" (l.c., p. 109).

This is the old Mercantile system. Value consists in my getting not an equivalent, but more than the equivalent. At the same time, however, for Ganilh there is no equivalent, for this would imply that the value of A and the value of B are determined not by the proportion of A in B or of B in A, but by a third thing in which A and B are identical. But if there is no equivalent, there can also be no excess over the equivalent. I get less gold for iron than iron for gold. Now I have more iron, for which I get less gold. If therefore I gain on the original transaction because less gold is equal to more iron, I now lose just as much because more iron is equal to less gold.

> "All labour, whatever be its nature, is productive of wealth provided that it has an exchange-value" (l.c., p. 119). "Exchange pays no regard either to the quantity or to the material nature or to the durability of the products" (l.c., p. 121). "All" (kinds of labour) "are *equally productive* of the *sum* for which they have been exchanged" (pp. 121-22).

First they are equally productive of the *sum*, that is, the *price*, which they have been paid (the *value* of their wages). But Ganilh at once goes another step further. Immaterial labour, he says, produces the material product for which it is exchanged, so that it seems that material labour produces the product of immaterial labour.

||362| "There is no difference between the labour of the workman who makes a chest of drawers for which he gets two bushels of wheat in exchange and the labour of a village fiddler for which he gets two bushels of wheat. In both cases two bushels of wheat are produced: two bushels to pay for the chest of drawers, and two bushels to pay for the pleasure given by the village fiddler. It is true that after the joiner has consumed the two bushels of wheat, a chest of drawers remains, and after the fiddler has consumed the two bushels of wheat, nothing remains; bet how many labours reputed productive are in the same

case!... it is net by what remains after consumption that one can judge whether a labour is productive or sterile, it is by *the exchange or by the production to which it has given rise*. But since the joiner's labour, as well as the fiddler's labour, *is the cause of the production of two bushels of wheat, both are equally productive of two bushels of wheat*, although the one, after it is finished, does not fix and realise itself in any durable object, and the other fixes and realises itself in a durable object" (l.c., pp. 122-23).

> "Adam Smith would like to reduce the number of labourers who are not usefully occupied, in order to multiply that of the labourers who are usefully occupied; but no consideration has been given to the fact that if this desire could be realised all wealth would be impossible, because consumers would be lacking for the producers, and the excess that was not consumed would not be reproduced. The productive classes do not give the products of their labours gratuitously *to the classes whose labours do not yield any material products*" (here he nevertheless himself distinguishes between labours which yield material products and labours which do not); "they give them to them in exchange for the convenience, the pleasures and the enjoyments that they receive from them, and, *in order to give them* to *them, they are obliged to produce them*. If the material products of labour were not employed to pay for the labours which do not yield material products, they would not have consumers and their *reproduction* would cease, The labours productive of enjoyment *thus contribute to production as efficaciously* as the labour which is considered to be the most productive" (l.c., pp. 123-24).
>
> "Almost always the convenience, the pleasures or the enjoyments which they" (the peoples) "seek *follow* and *do not precede the products which are to pay for them*" (l.c., p. *125*). (They seem therefore to be much more effect than cause of the products which are to

> pay for them). "The position is different when the pro ours devoted to pleasure, luxury and ostentation *are not wanted by the productive classes*, " (thus he himself makes the distinction here) "and they are nevertheless *forced* to pay for them and to cut down their own requirements by this amount. Then it may come about that this forced payment does not bring about an increase in production" (l.c., p. 125). "Apart from this case all labour is necessarily productive, and contributes more or less efficaciously to the formation and growth of the public wealth, because *it necessarily calls forth the products which pay for it*" (l.c. p. 126).

<So according to this the "unproductive labours" are productive neither because of their cost, that is, their exchange-value, nor because of the special enjoyment that they produce, that is, their use-value, but because they produce productive labour.>

<If, according to Adam Smith, that labour is productive which is directly exchanged for capital, then we have to consider, apart from the form, also the material components of the capital which is exchanged for labour. It resolves itself into the necessary means of subsistence; that is for the most part into commodities, material things. What the labourer has to pay from these wages to State and Church is a deduction for services which are forced upon him; what he pays out for education is devilishly little, but when he does, his payments are productive, for education produces labour-power; what he pays out for the services of physicians, lawyers, priests, is his misfortune; there are very few unproductive labours or services left on which the labourer's wages are spent, especially as he himself provides his costs of consumption (cooking, keeping his house clean, generally even repairs).>

The following statement of Ganilh's is extremely characteristic:

> "If exchange gives to the servant's labour a value of 1,000 francs, while it gives to that of the husbandman or factory worker only a value of 500 francs, one must conclude from this that the servant's labour contributes to the *production of wealth* twice as much as that of the husbandman and the factory worker; and it cannot be otherwise, as long as the labour of servants receives in payment twice as much in material products as the labour of husbandmen and factory workers. How can it be imagined that wealth results from labour which has less exchange-value and which is consequently paid less!" (l.c., pp. 293-94).

||363| If the wages of the factory or agricultural labourer are 500 francs, and the surplus-value (profit and rent) created by him is equal to 40 per cent, his net product would be 200 francs, and five such labourers would be required to produce the wages of 1,000 francs for the servant. If instead of the servant Lord Exchange cared to buy a mistress for 10,000 francs annually, the net product of 50 such productive labourers would be required. And because her unproductive labour brings in for the mistress twenty times as much exchange-value, wages, as the wages of the productive labourer, this person adds twenty times as much to "the production of wealth", and a country produces the more wealth the higher it pays its servants and mistresses. Monsieur Ganilh forgets that only the productivity of manufacturing and agricultural labour, only the surplus created by the productive workers but not paid to them, provides any fund at all for which the unproductive labourers are paid. But he reckons like this: 1,000 francs wage, and the labour of servant or mistress as equivalent for the wage, make together 2,000 francs. The value of servants and mistresses, that is, their production costs, depend entirely on the *net product* of the productive labourers. Indeed, their existence as a special breed of people depends on it. Their price and their value have little in common with each other.

But even assuming that the value (the costs of production) of a servant is twice as great as that of a productive labourer, it must be observed that the productivity of a labourer (like that of a machine) and his value are entirely different things, which are even in inverse proportion to each other. The value that a machine costs is always a minus in relation to its productivity.

> "In vain is the objection raised that if the labour of servants is as productive as that of husbandmen and factory workers, there is no reason why the public economy of a country should not be used to maintain them, not only without being squandered but with a constant increase of value. This objection is only specious because it assumes that the fruitfulness of each labour results from its *co-operation in the production of material objects, that material production is constitutive of wealth and that production and wealth are completely identical.* It is forgotten that *all production only becomes wealth concurrently with its consumption,*[*] *and that exchange determines up to what point it contributes to the formation of wealth.* If it is remembered that all labours contribute directly or indirectly to the total production of each country, that exchange, in fixing the value of each labour, determines the part that it has had in this production, that *consumption of the production* realises the value that exchange has given it, and that the surplus or deficit of production over consumption determines the state of wealth or poverty of peoples, it will be realised how inconsistent it is *to isolate* each labour, to fix its fertility and its fruitfulness by its *contribution to material production and without any regard to its* ||*364*| *consumption, which alone gives it a value*, a value without which wealth cannot exist" (l.c., pp. 294-95).

On the one hand the fellow makes wealth depend on the excess of production over consumption, on the other hand he says that only consumption gives value. And a

servant who consumes 1,000 francs consequently contributes twice as much to the giving of value as a peasant who consumes 500 francs.

In the first place he admits that these unproductive labours do not 'directly participate in the formation of material wealth. Smith does not claim more than this. On the other hand he tries to prove that on the contrary they create material wealth in the same measure as, according to his own admission, they do not.

All those who polemise against Adam Smith on the one hand assume a superior attitude to material production, and on the other hand they attempt to justify immaterial production—or even no production, like that of lackeys—as material production. It makes absolutely no difference whether the owner of the net revenue consumes this revenue in lackeys, mistresses or pasties. But it is ludicrous to imagine that the surplus must be consumed by servants and cannot be consumed by productive labourers themselves without the value of the product going to the devil. With Malthus too we find the same view of the necessity of unproductive consumers—which necessity in fact exists when the surplus comes into the hands of idlers. |364||

[9. Ganilh and Ricardo on Net Revenue. Ganilh as Advocate of a Diminution of the Productive Population; Ricardo as Advocate of the Accumulation of Capital and

the Growth of Productive Forces]

||364| *Ganilh* claims to have put forward a theory in his *Théorie de l'économie politique* (a book I don't know) which Ricardo later copied from him. This theory is that wealth depends on net product and not on gross product, and thus on the level of profit and rent. (This is certainly not a discovery of Ganilh's, who distinguishes himself, however, by the way he puts it.)

Surplus-value presents itself (has its real existence) in a surplus-produce in excess of the quantity of products which only replace its original elements, that is, which enter into its production costs and—taking constant and variable capital together—are equal to the total capital advanced to production. The aim of capitalist production is the surplus, not the product. The labourer's necessary labour-time, and therefore also its equivalent in the product with which it is paid for, is only necessary as long as it produces surplus-labour. Otherwise it is *unproductive* for the capitalist.

The surplus-value is equal to the rate of surplus-value s/v multiplied by the number of simultaneous days' labour or the number of employed labourers, that is, by n. So $S = s/v \times n$. This surplus-value can therefore be increased or reduced in two ways. For example, $(s/v)/2 \times n$ is equal to $2s/v \times n = 2S$. Here S ||365| has doubled, because the rate has doubled, since $(s/v)/2$ is $2s/v$, that is, is twice as much as s/v. On the other hand, however $s/v \times 2n$ would also be equal to $2sn/v$, that is, also equal to 2S. V, the variable capital, is equal to the p rice of the single day's labour multiplied by the number of labourers employed. If 800 labourers are employed, each costing £1, then V=£800, that is, £1 × 800, where n=800. Then if the surplus-value is 160, its

rate would be $160/(£1\times800) = 160/800 = 16/80 = 1/5 =$ 20 per cent. But the surplus-value itself is $160/(£1\times800) \times$ 800, that is, $£S/£1\times n \times n$.

With a given length of labour-time, this surplus-value can only be increased by an increase of productivity, or at a given level of productivity, by a lengthening of the labour-time.

But what concerns us here is: $2S=[(s/v)/2] \times n$; and $2S=s/v \times 2n$.

The surplus-value (gross amount of surplus-value) remains the same, if the number of labourers is reduced by half—is only n instead of $2n$, but the surplus-labour performed by them each day is twice as much as it was before. On this assumption, therefore, two things would remain the same: first, the total quantity of products produced; secondly, the total quantity of surplus-produce or net product. But the following would have changed: first, the variable capital, or the part of the circulating capital expended in wages, would have fallen by half. The part of the constant capital which consists of raw materials would also remain unchanged, as the same quantity of raw material as before would be worked up, although this would be done by half the labourers employed before. As against this, the part which consists of fixed capital has increased.

If the capital expended in wages was £300 (£1 per labourer), it would now be £150. If that expended in raw materials was £310, it would now be £310. If the value of the machinery was four times as much as the rest of the capital, it would now be £1,600. Therefore if the machinery is worn out in ten years, the machinery entering annually into the product would be £160. We will assume that the capital previously expended annually on instruments was £40, thus only $1/4$, Then the account would stand:

	Machinery	Raw Material	Wages	Total	Surplus-value	Rate of Profit	Total Product
Old capital	40	310	300	650	150 or 50%	$23\,{}^{1}/_{13}$ %	800
New Capital	160	310	150	620	150 or 100%	$24{}^{6}/_{31}$ %	770

In this case the rate of profit has risen, because the total capital has decreased—the capital expended in wages has fallen by £150, the total value of the fixed capital has only risen by £120, and so in all £30 less than before is expended.

But if the £30 left over is again employed in the same way, ${}^{31}/_{62}$ (or ${}^{1}/_{2}$) in raw material, ${}^{16}/_{62}$ in machinery and ${}^{15}/_{62}$ in wages, the result would be:

Machinery	Raw material	Wages	Surplus-value
£7.14.6	£15	£7.5.6	£7.5.6

And taking both together:

	Machinery	Raw material	Wages	Surplus-value	Rate of profit
New capital	£167.14.6	£325	£157.5.6	£157.5.6	$24\,{}^{6}/_{31}$%

Total amount of capital expended: £650 *as before. Total product* £807.5.6.

The total value of the product has risen; the total value of the capital expended has remained the same; and not only the value, but the amount of the total product has risen, since an additional £15 in raw materials has been transformed into the product.

||366| [We find in Ganilh:]

> "When a country is deprived of the aid of machines, and its labour is carried out by hand, the labouring classes consume almost the whole of their production. To the degree that industry makes progress, is improved by the division of labour, the skill of the workmen, and the invention of machines, the costs of production diminish, *or* in other words, a smaller number of labourers is required to obtain a greater production" (l.c., t. 1, pp. 211-12).

That is to say, therefore, in the same degree as industry becomes more productive, the production costs of wages are reduced. Fewer labourers are employed in relation to the product, and these therefore also consume a smaller part of the product.

If a labourer without machinery needs 10 hours to produce his own means of subsistence, and if with machinery he only needs 6, then (with 12 hours' labour) in the first case he works 10 for himself and 2 for the capitalist, and the capitalist gets one-sixth of the total product of the 12 hours. In the first case 10 labourers will produce a product for 10 labourers (equal to 100 hours) and 20 [hours] for the capitalist. Of the value of 120, the capitalist gets one-sixth, or 20. In the second case, 5 labourers will produce a product for 5 Labourers (equal to 30 hours), and for the capitalist 30 hours. Of the 60 hours the capitalist now gets 30, that is, one half—3 times as much as before, The total surplus-value too would have risen, namely from 20 to 30, by $^{1}/_{3}$. When I appropriate one-half of 60 days, this is one-third more than when I appropriate one-sixth of 120 days.

Moreover, the one-half of the total product that the capitalist gets is also greater in quantity than before. For 6 hours now produce as much product as 10 did before; 1 [hour] as much as ten-sixths of an hour [before], or 1 as much as $1\,^{4}/_{6}=1\,^{2}/_{3}$, So the 30 surplus hours contain as much product as did previously $30\ (1+^{2}/_{3}) = 30 + ^{60}/_{3} =$

50. 6 hours produce as much product as 10 did previously, that is, 30—or 5×6—produce as much as 5×10 did before.

The capitalist's surplus-value would therefore have risen and also his surplus-product (if he consumes it himself, or as much of it as he consumes in kind). The surplus-value can even rise without the quantity of the total product being increased. For the increase of surplus-value means that the labourer is able to produce his means of subsistence in less time than before, that therefore the value of the commodities he consumes falls, represents less labour-time, and that therefore a certain value, equal to 6 hours for example, represents a greater quantity of the use-values than before. The labourer receives the same quantity of product as before, but this quantity forms a smaller part of the total product, as its value expresses a smaller part of the fruits of the day's labour. Although an increase in productive power in the branches of industry whose product neither directly nor indirectly enters into the formation of the labourer's means of consumption could not have this result—since increased or reduced productivity in these branches does not affect the relation between the necessary and the surplus-labour—the result for these industries would nevertheless be the same, although it did not originate from a change in their own productivity. The relative value of their products would rise in exactly the same proportion as that of the other commodities had fallen (if their own productivity had remained the same); consequently, a proportionately smaller aliquot part of these products, or a smaller part of the labour-time of the labourer which is materialised in them, would procure for him the same quantity of means of subsistence as before. The surplus-value would therefore rise in these branches of labour just as in the others.

But what will then become of the five displaced labourers?

It will be said that capital has also been released, namely, that which paid the five dismissed workers, who each received 10 hours (f or which they worked 12), that is, 50 hours in all, which could previously have paid the wages of five labourers and which [now] that wages have fallen to 6 hours can pay for $50/6 = 8\,1/2$ days' labour. Therefore now the capital of 50 [hours'] labour that has been released can employ more labourers than have been dismissed.

But a capital equivalent to the whole 50 hours' labour has not been released. For even assuming that the raw material has become cheaper in the same proportion as the increase in the quantity of it that is worked up in the same labour-time—that is, assuming that the same increase of productivity has taken place in that branch of production —the outlay for the new machinery nevertheless remains. Assuming that this costs exactly 50 hours' labour, it has certainly in no case employed as many labourers as were put off. For this 50 hours' labour was laid out entirely in wages, for 5 labourers. But in the value of the machine, equivalent to 50 hours' labour, both profit and wages are contained, both paid and unpaid labour-time. In addition, constant capital enters into the value of the machine. The number of machine-building labourers [who built the machine is] smaller than the number of labourers discharged; nor are they the same individuals ||367| as those discharged. The greater demand for labourers in machine building can at most affect the future distribution of the number of labourers, so that a larger part of the generation entering the labour-market—a larger part than before—turns to that branch of industry. It does not affect those who have been discharged. Moreover the increase in the annual demand for these is not equal to the new capital expended on machinery. The machine lasts for example for ten years. The constant demand which it creates is therefore equal annually to $1/10$ of the wages contained in it. To

this $^{1}/_{10}$ must be added labour for repairs during the 10 years, and the daily consumption of coal, oil and other auxiliary materials; which in all amounts perhaps to another $^{2}/_{10}$.

<If the capital released were equal to 60 hours, these would now represent 10 hours' surplus-labour and only 50 necessary labour. Thus if previously the 60 hours had been expended in wages and 6 labourers had been employed, now it would be only 5.>

<The shifting of labour and capital which increased productivity in a particular branch of industry brings about by means of machinery, etc., is always only prospective. That is to say, *the increase, the new number of labourers entering industry*, is distributed in a different way; perhaps the children of those who have been thrown out, but not these themselves. They themselves vegetate for a long time in their old trade, which they carry on under the most unfavourable conditions, inasmuch as their necessary labour-time is greater than the socially necessary labour-time; they become paupers, or find employment in branches of industry where a lower grade of labour is employed.>

<A pauper, like a capitalist (*rentier*), lives on the revenue of the country. He does not enter into the production costs of the product, and consequently Monsieur Ganilh would call him a representative of exchangeable value. Ditto, for a criminal who is fed in prison. A large part of the "unproductive labourers", holders of State sinecures, etc., are simply respectable paupers.>

<Assume that the productivity of industry is so advanced that whereas earlier two-thirds of the population were directly engaged in material production, now it is only one-third. Previously $^{2}/_{3}$ produced means of subsistence for $^{3}/_{3}$; now $^{1}/_{3}$ produce

for $^{3}/_{3}$. Previously $^{1}/_{3}$ was net revenue (as distinct from the revenue of the labourers), now $^{2}/_{3}$. Leaving [class] contradictions out of account, the nation would now use $^{1}/_{3}$ of its time for direct production, where previously it needed $^{2}/_{3}$. Equally distributed, all [that is, the whole population] would have $^{2}/_{3}$ more time for unproductive labour and leisure. But in capitalist production everything seems and in fact is contradictory. The assumption does not imply that the population is stagnant. For if the $^{3}/_{3}$ grow, so also do the $^{1}/_{3}$; thus, *measured in quantity*, a larger number of people could he employed in productive labour. But relatively, in proportion to the total population, it would always be 50 per cent less than before. Those two-thirds of the population consist partly of the owners of profit and rent, partly of unproductive labourers (who also, owing to competition, are badly paid). The latter help the former to consume the revenue and give them in return an equivalent in services—or impose their services on them, like the political unproductive labourers. It can be supposed that—with the exception of the horde of flunkeys, the soldiers, sailors, police, lower officials and so on, mistresses, grooms, clowns and jugglers—these unproductive labourers will on the whole have a higher level of culture than the unproductive workers had previously, and in particular that ill-paid artists, musicians, lawyers, physicians, scholars, schoolmasters, inventors, etc., will also have increased in number.

Within the productive class itself commercial middlemen will have multiplied, but in particular those engaged in machine construction, railway construction, mining and excavation; moreover, in agriculture labourers engaged in stock-raising will have increased in number, and also those employed in producing chemical and mineral materials for fertilisers, etc. Further, the farmers who grow raw materials for industry will have risen in number, in proportion to those producing means

of subsistence; and those who provide fodder for cattle, in proportion to those who produce means of subsistence for people. *As the constant capital grows, so also does the proportionate quantity of the total labour which is engaged in its reproduction*. Nevertheless, the part [of the population] directly producing means of subsistence, although its number declines, ||368| produces more products than before. Its labour is more productive. *While for the individual capital the fall in the variable part of the capital as compared with the constant part* takes the direct form of a reduction in the part of the capital expended in wages, for the total capital—in its *reproduction*—this necessarily takes the form that a relatively greater part of the total labour employed is engaged in the reproduction of means of production than is engaged in the production of products themselves—that is, in the reproduction of machinery (including means of communication and transport and buildings), of auxiliary materials (coal, gas, oil, tallow, leather belting, etc.) and of plants which form the raw material for industrial products. Relatively to the manufacturing labourers, agricultural labourers will decline in number. Finally the luxury, labourers will increase in number, since the higher revenue will consume more luxury products.>

<The variable capital is resolved into revenue, firstly wages, secondly profit. If therefore capital is conceived as something contrasted with revenue, the constant capital appears to be capital *in the strict sense:* the part of the total product that belongs to production and enters into the costs of production without being individually consumed by anyone (with the exception of draught cattle). This part may originate entirely from profit and wages. In the last analysis, it can never originate from these alone; it is the product of labour, but of labour which regarded the instrument of production itself as revenue, as the savage did the bow. But once transformed

into constant capital, this part of the product is no longer resolvable into wages and profit, although its reproduction yields wages and profit. A part of the product belongs to this part. Each subsequent product is the product of this past labour and of present labour. The latter can only be continued in *so* far as it returns a part of the total product to production. It must replace the constant capital in kind. If it grows more productive, it replaces the product, but not its value, reducing this value as a result. If it grows less productive, it raises its value. In the first case the aliquot part drawn by past labour from the total product falls; in the second case it rises. In the first case the living labour becomes more productive, in the second, less productive.>

<The factors which reduce the costs of the *constant capital*, also include improved raw materials. For example, it is not possible to make the same quantity of twist in the same time both from good and from had raw cotton, leaving entirely out of account the relative quantity of waste, etc. Hence the importance of the quality of seed, etc.>

<As an example *combination* where a manufacturer himself makes a part of his former constant capital, or where previously the raw material passed as constant capital out of his sphere of production into a second sphere, and he now himself gives it the second form—this always only amounts to a concentration of profits, as was shown earlier. *An example of the first:* the linking together of spinning and weaving. *An example of the second:* the mine owners of Birmingham, who took over the *complete* process of making iron, which had formerly been divided between a number of entrepreneurs and owners.>

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Ganilh continues:

> "So long as the division of labour is not established in all branches, so long as all classes of the labouring and industrious population have not attained their full development, the invention of machines, and their employment in certain industries, only cause the capitals and labourers displaced by the machines to flow into other employments which can usefully employ them. But *it* is evident that when all branches of employment have the capital and the labourers they require, every further improvement and every new machine that cuts down labour, necessarily reduces the labouring population: and as this reduction does not diminish production, the part which it leaves available accrues either to the profit of capitals or to the rent of land; and in consequence the natural and necessary effect of machines is to diminish the population of the wage-earning classes who live on the gross product, and to increase the population of the classes which live on the net product" (l.c., p. 212).

||369| "*The displacement of the population* of a country, a *necessary consequence of the progress of industry*, is the true cause of the prosperity, the power and the civilisation of modern peoples. The more the lower classes of society decrease in number, the less need it be troubled by the dangers to which the distress, the ignorance, the credulity and the superstition of these unfortunate classes ceaselessly expose it; the more the upper classes multiply, the more subjects the State has at its disposal, the stronger and more powerful it is, the more knowledge, intelligence and civilisation there is in the whole population" (l.c., p. 213).

<*Say* makes the total value of the product resolvable into revenue in the following way: in the Constancio translation of Ricardo's [book *Principles*], Chapter 26, he says in a note:

> "The net revenue of an individual consists of *the value of the product* to which he has

> contributed ... less his disbursements; but as the disbursements that he has made are *portions of revenue* which he has paid to others, *the totality of the value of the product has served to pay revenues*. The total revenue of a nation is composed of its gross product, that is to say, of the gross value of all its products which are distributed among the producers."

The last sentence would be correct if expressed in this way:

The total revenue of a nation is composed of that part of its gross product, that is to say, of the gross value of all the products which are distributed as revenues among the producers, that is to say, less that portion of all the products which in each branch of industry had replaced the means of production. But so expressed, the sentence would negate itself.

Say continues:

> "This value, after many exchanges, would he entirely consumed in the year which saw its birth, but it would nonetheless he still the revenue of the nation; just as an individual who has 20,000 francs annual revenue has nonetheless 20,000 francs annual revenue, although he consumes it entirely each year. His revenue does not consist only of his savings."

His revenue never consists of his savings, although his savings always consist of his revenues. To prove that a nation can annually consume both its capital and its revenue, Say compares it to an individual who leaves his capital intact and only consumes his revenue each year. If this individual consumed in a single year both his capital of 200,000 francs and the revenue of 20,000, he would have nothing to eat the year after. If the entire capital of a nation, and consequently the entire gross value of its products, consisted of revenues, Say would be right. The

individual consumes his 20,000 francs revenue. His 200,000 francs capital, which he does not consume, would be composed of the revenues of other individuals, each of whom consumes his share, and thus, at the end of the year, the whole capital would be consumed. But perhaps it would be reproduced while it is consumed, and thus replaced? But the individual in question reproduces annually his revenue of 20,000 francs, because he has not consumed his capital of 200,000 francs. The others have consumed this capital. Then they have no capital with which to reproduce revenue.>

> "Only the *net product*," says Ganilh, "and those who consume it form its" (the State's) "wealth and its power, and contribute to its prosperity, its glory and its grandeur" (l.c., p. 218).

Ganilh further cites Say's notes to Constancio's translation of Ricardo [*Principles*,] Chapter XXVI, where Ricardo says that if a country has 12 million [inhabitants], it would be more advantageous for it if 5 million productive labourers labour for the 12 million, than if 7 million productive labourers labour for the 12 million. In the first case the net product consists of the surplus-produce on which the 7 million who are not productive live; in the other, of a surplus-produce for 5 million. Say remarks on this:

> "This is quite like the doctrine of the Economists of the eighteenth century, who maintained that manufactures in no way helped towards the wealth of the State, because the *wage-earning class*, consuming a value equal to ||370| that which they produce, contribute nothing to their famous *net product*." "

On this, Ganilh observes (pp. 219-20):

> "It is not easy to see any connection between the Economists' assertion *that the industrial class consumes a value equal to that which it*

> *produces* and the doctrine of Mr. Ricardo, *that the wages of labourers cannot be counted in the revenue of a State*."

Here too Ganilh misses the point. The Economists go wrong in regarding the manufacturers as only *wage-earning classes*. This distinguishes them from Ricardo. They are further wrong in thinking that the *wage-earners* produce what they consume. The correct view, as Ricardo in contrast to them knew very well, is that it is they who produce the net product, but produce it precisely because their consumption, that is to say their wage, is equal not to the time they labour, but to the labour-time that they have put in to produce this wage; that is, that they receive a share of the product only equal to their necessary consumption, or that they receive only as much of their own product as is equivalent to their own necessary consumption. The Economists assumed that the whole industrial class (masters and workmen) was in this position. They considered that only rent bore the character of an excess of production over wages, and consequently that it was the only wealth. But when Ricardo says that profits and rents form this surplus and are consequently the only wealth, in spite of his difference from the Physiocrats, he agrees with them in thinking that only the net product, the product in which the surplus-value exists, forms the national wealth; although he has a better understanding of the nature of this surplus. For him, too, it is only the part of the revenue which is in excess of wages. What distinguishes him from the Economists is not his explanation of the net product, but his explanation of wages, under which category the Economists wrongly also include profits.

Say also remarks in opposition to Ricardo:

> "From seven million fully employed labourers there would be more savings than from five million."

Ganilh rightly observes, refuting this:

> "That is to suppose that *economies from wages* are preferable to the econo*my which results from the reduction of wages*... It would be too absurd to pay four hundred millions in wages to labourers who give no net product, in order to provide them with the opportunity and the means for making economies on their wages" (l.c., p. 221).

> "With every step made by civilisation, labour becomes less burdensome and more productive; the classes condemned to produce and to consume diminish; and the classes which direct labour, which relieve (!), console (!) and enlighten the whole population, multiply, *become more numerous and appropriate to themselves all the benefits which result from the diminution of the costs of labour*, from the abundance of products and the cheapness of consumer goods. In this way, the human race lifts itself up... Because of this *progressive tendency to the diminution of the lower classes of society and the increase of the upper classes* ... civil society becomes more prosperous, more powerful," etc, (l.c., p. 224). "If ... the number of labourers employed is seven millions, the wages will be fourteen hundred millions; but if the fourteen hundred millions do not yield a larger net product than the thousand millions paid to the five million labourers, *the real economy would be in abolishing the four hundred millions in wages paid to two million labourers who yield no net product*, and not in the savings that these two million labourers could make from the four hundred millions of wages" (l.c., p. 221).

In Chapter XXVI [of his *Principles*] Ricardo observes:

> "*Adam Smith* constantly magnifies the advantages which a country derives from a large gross, rather than a large net income... What would be the advantage resulting to a country from the employment of a great quantity of productive labour, if, whether it employed that quantity or a smaller,

> its net rent and profits together would be the same? " Whether a nation employs five or seven million productive labourers to produce the net revenue ||371| on which five million others live, "the food and clothing of five millions would be still the net revenue. The employing of a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes" (l.c., p. 215).

This reminds us of the ancient Germans, of whom one part in turn took the field and the other cultivated the field. The smaller the number that was indispensable for cultivating the field, the greater the number who were able to war. It would not have helped them if the number of people had increased by one-third, so that instead of 1,000 they had 1,500, if 1,000 were then required to cultivate the field while previously it was 500. Their disposable forces would have consisted of only 500 men both before and after. If on the other hand the productivity of their labour had increased, so that 250 sufficed to cultivate the field, 750 of the 1,000 could have taken the field, whereas in the opposite case, if the productivity of their labour had fallen, it would be only 500 out of the 1,500.

First it should be noted here that Ricardo means by net revenue or net product not the excess of the total product over the part of it that must be returned to production as means of production, raw materials or instruments. On the contrary, he shares the false view that the gross product consists of gross revenue. By net product or net revenue he means the surplus-value, the excess of the total revenue over the part of it that consists of wages, of the revenue of the labourers. This revenue of the labourer, however, is equal to the variable capital, the part of the circulating capital which he is constantly consuming and constantly reproducing as the part of his production which he himself consumes.

If Ricardo treats the capitalists as not entirely useless, that is to say, as themselves agents of production, and therefore resolves a part of their profit into wages, he has to deduct a part of their revenue from the net revenue and to declare that all these persons only contribute to wealth in so far as their wages form the smallest possible part of their profit. However that may be, at least a part of their time as agents of production belongs, like a fixture, to production itself. And to this extent they cannot be used for other purposes of society or of the State. The more free time their duties as managers of production leave them, the more is their profit independent of their wage. In contrast to these, the capitalists who live only on their interest, and also the landlords who live on rent, are in person entirely at the disposal [of society and the State], and no part of their income enters into the costs of production—except for that part which is used for the reproduction of their own worthy person. Ricardo should therefore have also desired, in the interests *of the State*, a growth of rent (the pure net revenue) at the cost of profits; but this is not at all his viewpoint. And why not? Because it hinders the accumulation of capitals [or]—what is in part the same thing—because it increases the number of unproductive labourers at the cost of the productive.

Ricardo fully shares Adam Smith's view of the distinction between productive and unproductive labour, that the former exchanges its labour directly for capital, [the latter I directly for revenue. But he no longer shares Smith's tenderness for and illusion about the productive labourer. It is a misfortune to be a productive labourer. A productive labourer is a labourer who produces wealth *for another*. His existence only has meaning as such an instrument of production for the wealth of others. If therefore the same quantity of wealth for others can be created with a smaller number of productive labourers, then the suppression of these productive labourers is in order. *Vos, non vobis*.* Ricardo,

incidentally, does not think of this *suppression* as Ganilh does—that through mere suppression the revenue increases and that what was *formerly consumed as variable capital* (that is, in the form of wages) would then be consumed *as revenue*. With the diminution in the number of productive workers also disappears the amount of product which those who have been discharged themselves consumed and themselves produced—their equivalent. Ricardo does not assume, as Ganilh does, that the same quantity of products as before is produced; but the same quantity of net product. If the labourers consumed 200 and their surplus was 100, the total product was 300, and the surplus was one third=100. If the labourers consume 100 and their surplus is 100 as before, the total product is 200 and the surplus is one half=100. The total product would have fallen by one-third— by the quantity of products consumed by the 100 dismissed workers, and the net product ||372| [would have] remained *the same*, because $^{200}/_{2} = {}^{300}/_{3}$. For Ricardo, therefore, the amount of the gross product does not matter, provided that that portion of the gross product which constitutes the net product remains the same or grows, but in any case does not diminish.

So he says:

> "To an individual with a capital of 20,000 *l.*, whose profits were 2,000 *l.* per annum, it would be a matter quite indifferent whether his capital would employ a hundred or a thousand men, whether the commodity produced sold for 10,000 *l.*, or for 20,000 *l.*, provided, in all cases, his profits were not diminished below 2,000 *l.* Is not the real interest of the nation similar? |VIII-372||

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||IX - 377 | The passage in Ricardo (Chapter XXVI) runs:

> "Adam Smith constantly magnifies the advantages which a country derives from a large gross, rather than a large net income" (because, says Adam, "the greater will he the quantity of productive labour which it puts into motion") "What would be the advantage resulting to a country from the employment of a great quantity of productive labour, if, whether it employed that quantity or a smaller, its net rent and profits together would be the same."

<This therefore means nothing but: if the surplus-value produced by a greater quantity of labour would be the same as that produced by a smaller quantity. That however in turn means nothing but that it is the same thing for a country whether it employs a large number of labourers at a lower rate of surplus or a smaller number at a higher rate. $n \times {}^{1}/_{2}$ is just as much as $2n \times {}^{1}/_{4}$, where n represents the number [of labourers] and ${}^{1}/_{2}$ and ${}^{1}/_{4}$ the surplus-labour, The "productive labourer " as such is a mere instrument of production for the production of surplus, and if the result is the same a larger number of these "productive labourers" would be a nuisance.>

> "To an individual with a capital of 20,000 *l.*, whose profits were 2,000 *l.* per annum, it would be a matter quite indifferent whether his capital would employ a hundred or a thousand men, whether the commodity produced sold for 10,000 l or for 20,000 *l.* provided, in all cases, his profits were not diminished below 2,000 *1.*"

<The meaning of this, as is evident from a later passage, is perfectly banal. For example, a wine-merchant, who makes use of £20,000 and has £12,000 lying in his cellar each year, but sells £8,000 for £10,000, employs few people and makes 10 per cent profit, etc. And then take bankers!>

"Is not the real interest of the nation similar? *Provided its net real income, its rent and profits be the same, it is of no importance whether the nation consists of ten or of twelve millions of inhabitants. Its power of sup-porting fleets and armies, and all species of unproductive labour*" (this passage shows among other things that Ricardo shared Adam Smith's view of productive and unproductive labour, although he did no longer share Smith's tenderness, based on illusions, for the productive labourer) "must be in proportion to its net, and not in proportion to its gross, income. If five millions of men could produce as much food and clothing as was necessary for ten millions, food and clothing for five millions would be the net revenue. Would it be of any advantage to the country, that *to produce this same net revenue*, seven millions of men should be required, that is to say, that seven millions should be employed to produce food and clothing sufficient for twelve millions? The food and clothing of five millions would be still the net revenue. The employing a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes" (Ricardo, *On the Principles of Political Economy and Taxation*, 3rd edition, London, 1821, pp. 415-17).

A country is the richer the smaller its productive population is *relatively* to the total product; just as for the individual capitalist: the fewer labourers he needs to produce the same surplus, so much the better for him. The country is the richer the smaller the productive population in relation to the unproductive, the quantity of products remaining the same. For the relative smallness of the productive population would be only another way of expressing the relative degree of the productivity of labour.

On the one hand it is the tendency of capital to reduce to a dwindling minimum the labour-time necessary for the production of commodities, and therefore also the

number of the productive population *in relation to* the amount of the product. On the other hand, however, it* has the opposite tendency to accumulate, to transform profit into capital, to appropriate the greatest possible quantity of the labour of others. It* strives to reduce the norm of necessary labour, but to employ the greatest possible quantity of productive labour at the given norm. The proportion of the products to the population makes no difference in this. Corn and cotton can be changed into wine, diamonds, etc., ||378| or labourers can be employed in productive labour which does not directly add anything to the (consumable) products (such as railway construction, etc.).

If as the result of an invention a capitalist can now only use in his business £10,000 instead of the £20,000 he used previously, because £10,000 is sufficient, and if this sum yields 20 per cent for him instead of 10, that is, as much as the £20,000 brought in before, this would be no reason for him to spend £10,000 as revenue instead of as capital as before. (Actually it is only in the case of State loans that we can speak of a direct transformation of capital into revenue.) He would place it elsewhere—and in addition would capitalise a part of his profit.

Among the economists (including Ricardo in part) we find the same antimony as there is in reality. Machinery displaces labour and increases the net revenue (particularly always what Ricardo here calls net revenue—the quantity of products in which revenue is consumed); it reduces the number of labourers and increases the products (which then are partly consumed by unproductive labourers, partly exchanged abroad, etc.). So this would be desirable. But no. In that case it must be shown that machinery does not deprive the labourers of bread. And how is this to be shown? By the fact that after a shock (to which perhaps the section of the population which is directly affected cannot offer any resistance) machinery once again employs more people

than were employed before it was introduced—and therefore once again increases the number of "productive labourers" and restores the former disproportion.

That is in fact what happens. And so in spite of the growing productivity of labour the labouring population could constantly grow not in proportion to the product, which grows with it and faster than it, but proportionately [to the total population], if, for example, capital simultaneously becomes concentrated, and therefore former component parts of the productive classes fall into the ranks of the proletariat. A small part of the latter rises into the middle class. The unproductive classes, however, see to it that there is not too much food available. The constant retransformation of profit into capital always restores the same cycle on a wider basis.

And Ricardo's care for accumulation is even greater than his care for net profit, which he regards with fervent admiration as a means to accumulation. Hence too his contradictory admonitions and consoling remarks to the labourers. They are the people most interested in the accumulation of capital, because it is on this that the demand for them depends. If this demand rises, then the price of labour rises. They must therefore themselves desire the lowering of wages, so that the surplus taken from them, once more filtered through capital, is returned to them for new labour and their wages rise. This rise in wages however is bad, because it restricts accumulation. On the one hand they must not produce children. This brings a fall in the supply of labour, and so its price rises. But this rise diminishes the rate of accumulation, and so diminishes the demand for them and brings down the price of labour. Even quicker than the supply of them falls, capital falls along with it. If they produce children, then they increase their own supply and reduce the price of labour; thus the rate of profit rises, and with it the accumulation of capital. But the labouring population must rise in the same degree as the

accumulation of capital; that is to say, the labouring population must be there exactly in the numbers that the capitalist needs—which it does anyway.

Monsieur Ganilh is not altogether consistent in his admiration for the net product. He quotes from Say:

> "I do not doubt at all (...) that in slave labour the excess of the products over consumption is larger than in the labour of a free man... The worker of the slave has no limit hut his capacity. ... The slave" (and the free work too) "*labours for an unlimited need: his master's cupidity" (Say*, 1re éd., pp. 215, 216).

||379 | On this Ganilh observes:

> "The free labourer cannot consume more and produce less than the slave... All consumption presumes an equivalent produced to pay for it. If the free labourer consumes more than the slave, the products of his labour must he more considerable than those of the slave's labour" (*Ganilh*, t. I, p. 234).

As if the size of the wage depended *only* on the productivity of the labourer, and not, with a given productivity, on the division of the product between labourer and master.

> "I know," he continues, "that it can be said with some reason that the *economies made by the master at the expense of the slave*" (according to this there are after all economies made on the wages of the slave) "serve to augment his personal expenses," etc. "But it is more advantageous to the general wealth that there should be well-being in all classes of society rather than no excessive opulence among a small number of individuals" (pp. 234-35).

How does that tally with the net product? And for that matter Monsieur Ganilh at once retracts his liberal tirades (l.c., pp. 236-37). He wants Nigger-slavery for the

colonies, He is only liberal in so far as he does not want to reintroduce it into Europe, having grasped that the free labourers here are slaves, that they only exist to produce net product for capitalists, landlords and their retainers.

> "He" (*Quesnay*) "definitely denies that economies made by the wage-earning classes have the faculty to increase capital; and the reason he gives for this is that these classes should not have any means on which to make economics, and that if they had *a surplus, an excess*, this could only be due to an error or to some disorder in the society's economy" (l.c., p. 274).

Ganilh cites in evidence the following passage from Quesnay:

> "If the sterile class saves in order to augment its cash ... its labours and its gains will diminish in the same proportion, and it will fall into decay"(*Physiocratie*, p. 321).

The ass! He does not understand Quesnay.

Monsieur Ganilh puts on the keystone in the following paragraph:

> "The larger they" (wages) "are, the less is the revenue of the society" (society stands on them, but they do not stand in society), "and all the skill of governments should be applied to reducing the amount [of the wages]... *A task ...worthy of the enlightened century in which we live*" (t. II, p. 24).

Then there are still *Lauderdale* (Brougham's insipit jests are not worth examining after him), (Ferrier?), *Tocqueville, Storch, Senior*, and *Rossi* to be considered briefly on productive and unproductive labour.

[10.] Exchange of Revenue and Capital [Replacement of the Total Amount of the Annual Product: (a) Exchange of Revenue for Revenue; (b) Exchange of Revenue for Capital; (c) Exchange of Capital for Capital]

{To be distinguished: 1. The part of the *revenue which is trans-formed into new capital;* that is, the part of the profit which is itself again capitalised. Here we leave this entirely out of account—it belongs to the section on accumulation. 2. The revenue which is exchanged with capital consumed in production, so that by means of this exchange not new capital is formed, but old capital replaced—in a word, the old capital is conserved. In this inquiry, therefore, we can put the part of the revenue which is transformed into new capital as equal to nil, and treat the subject as if all revenue covers either revenue or capital consumed.

The whole amount of the annual product is therefore divided into two parts: one part is consumed as revenue, the other part replaces in kind the constant capital consumed.

Revenue is exchanged for revenue, when for example the producers of linen exchange a portion of that part of

their product—the linen—which represents their profits and wages, their revenue, for corn that represents a portion of the profits and ||380| wages of farmers. Here therefore there is the exchange of linen for corn, those two commodities which both enter into individual consumption—exchange of revenue in the form of linen for revenue in the form of corn. There is absolutely no difficulty in this. If consumable products are produced in proportions corresponding to needs, which means also that the proportionate amounts of social labour required for their production are proportionately distributed <which of course is never exactly the case, there being constant deviations, disproportions, which as such are adjusted; but in such a way that the continuous movement towards adjustment itself presupposes continuous disproportion>, then revenue, for example in the form of linen, exists in the exact quantity in which it is required as an article of consumption, therefore in which it is replaced by the articles of consumption of other producers. What the producer of linen consumes in corn, etc., the farmers and others consume in linen. The part of his product which represents revenue, which he exchanges for other commodities (articles of consumption), is thus taken in exchange as an article of consumption by the producers of these other commodities. What he consumes in the product of others, these others consume in his product.

It may be noted in passing: that no more necessary labour-time is employed on a product than is required by society—that is to say, no more time than on the average is required for the production of this commodity—is the result of capitalist production, which even continuously reduces the minimum of necessary labour-time. But in order to do so, it must constantly produce on a rising scale.

If 1 yard of linen costs only 1 hour and this is the necessary labour-time that society has to use to satisfy its

need for 1 yard of linen, it by no means follows from this that if 12 million yards are produced—that is, 12 million hours' labour, or what is the same thing, 1 million days' labour—1 million labourers being employed as linen weavers, society [needs] to employ such a part of its labour-time "necessarily" on the weaving of linen. If the necessary labour-time is given, and therefore also that a certain quantity of linen can be produced in one day, the question arises how many such days are to be used in the production of linen? The labour-time used on the total of particular products, in a year for example, is equal to a definite quantity of this use-value—for example, 1 yard of linen (say equivalent to 1 day's labour)—multiplied by the number of days' labour used in all. The total quantity of labour-time used in a particular branch of production may be under or over the correct proportion to the total available social labour, although each aliquot part of the product contains only the labour-time necessary for its production, or although each aliquot part of the labour-time used was necessary to make the corresponding aliquot part of the total product.

From this standpoint, the necessary labour-time acquires another meaning. The question is, in what quantities the necessary labour-time itself is distributed among the various spheres of production. Competition constantly regulates this distribution, just as it equally constantly disorganises it. If too large a quantity of social labour-time is used in one branch, the equivalent can be paid only, as if the correct quantity had been used. The total product—that is to say, the value of the total product—is in this case therefore not equal to the labour-time contained in it, but is equal to the proportionate labour-time which would have been used had the total product been in proportion to production in the other spheres. But in as much as the price of the total product falls below its value, the price of each aliquot part of it falls. If 6,000 yards of linen instead of 4,000 are

produced, and if the value of the 6,000 yards is 12,000 shillings, they are sold for 8,000. The price of each yard is 1 1/3 shillings instead of 2—one-third below its value. It therefore amounts to the same thing as if 1/3 too much labour-time had been used to produce one yard. Assuming that the commodity has use-value, the fall of its price below its value therefore shows that, although each part of the product has cost only the socially necessary labour-time <here it is assumed that the conditions of production remain unchanged>, a superfluous—more than necessary —total quantity of social labour has been employed in this one branch.

The sinking of the relative value of the commodity as a result of altered conditions of production is something entirely different; ||381| this piece of linen on the market has cost 2s., equal for example to 1 day's labour. But it can be reproduced every day for 1s. Since the value is determined by the socially necessary labour-time, not by the labour-time used by the individual producer, the day that the producer has used for the production of the one yard is now only equal to half the socially determined day. The fall of the price of his yard from 2s. to 1s.—that is, of its price below the value it has *cost* him—shows merely a change in the conditions of production, that is, a change in the necessary labour-time itself. On the other hand, if the production costs of the linen remain the same while those of all other articles rise—with the exception of gold, the material of money; or even [if the rise applies to] certain articles such as wheat, copper, etc., in a word, to articles which do not enter into the component parts of the linen—then one yard of linen would be equal to 2s. as before. Its *price* would not fall, but its relative value expressed in wheat, copper, etc., would have fallen.

Of the part of the revenue in one branch of production (which produces consumable commodities) which is

consumed in the revenue of another branch of production, it can be said that the demand is equal to its own supply (in so far as production is kept in the right *proportion*). It is the same as if each branch itself consumed that part of its revenue. Here there is only a formal metamorphosis of the commodity: C—M—C'. Linen— money—wheat.

Both commodities which are exchanged here represent only a part of the new labour added in the year. But in the first place it is clear that this exchange—in which two producers mutually consume a part of their product which represents revenue in each other's commodities—only takes place in those branches of production which produce consumable articles, articles which enter directly into individual consumption, in which consequently revenue can be spent as revenue. Secondly, it is just as clear: that only regarding *this part* of the exchange of products it is true that the producer's supply is equal to the demand for other products which he wishes to consume. Here in fact it is only a question of a simple exchange of commodities. Instead of producing his means of subsistence himself, he produces the means of subsistence for another, who produces his. No relation between revenue and capital enters into this. Revenue in one form of consumable articles is exchanged against revenue in another form of consumable articles, and so in fact consumable articles are exchanged for consumable articles. What determines their process of exchange is not that both are revenue, but that both are consumable articles. Their definite form as revenue does not enter into it at all. It shows itself however in the use-value of the interchangeable commodities, in that both enter into individual consumption; which in turn however means no more than that one part of consumable products is exchanged for another part of consumable products.

The form of revenue can only intervene or make itself manifest where the form of capital confronts it. But even

in this case what Say and other vulgar economists assert is not true— that if A cannot sell his linen or can only sell it under its price—that is, the part of his linen which he wishes to consume himself as revenue—then this happens because B, C, etc., have produced too little wheat, meat, etc. It may be because they have not produced enough of these. But it may also be because A has produced too much linen. For assuming that B, C, etc., have enough wheat, etc., to buy all A's linen, they nevertheless do not buy it, because only a definite quantity of linen is *consumed* by them, Or it may also be because A has produced more linen than the part of their revenue which can be spent on clothing materials altogether—that is, absolutely, because each person can expend as revenue only a definite quantity of his own product, and A's production of linen presupposes a greater amount of revenue than in total there is. It is ridiculous, however, when it is only a matter of the exchange of revenue against revenue, to suppose that what is wanted is not the use-value of the product but the quantity of this use-value, thus once again forgetting that *this* exchange concerns only the satisfaction of needs, not, as in exchange-value, the quantity.

But everyone will prefer to have a large rather than a small quantity of an article. If this is supposed to solve the difficulty, then ||382| it is absolutely impossible to understand why the producer of linen, instead of exchanging his linen for other articles of consumption and piling these up *en masse*, does not carry out the simpler process of enjoying a part of his revenue in his superfluous linen. Why does he at all transform his revenue from the form of linen into other forms? Because he has to satisfy other needs than the need for linen. Why does he himself consume only a certain part of the linen? Because only a quantitatively determined part of the linen has use-value for him. The same thing, however, holds for B, C, etc. If B sells wine and C books

and D mirrors, each may prefer to consume the surplus of his revenue in his own product—wine, books, mirrors—rather than in linen. Thus it cannot be said that, necessarily, too little wine, books and mirrors have been produced because A cannot transform his revenue in the form of linen (or cannot transform it at its value) into wine, books and mirrors. It is still more ridiculous, however, when this exchange of revenue against revenue—this one section of the exchange of commodities—is passed off as the whole of commodity exchange.

We have thus disposed of one part of the product. A part of the consumable products changes hands between the producers of these consumable products themselves. Each consumes a part of his revenue (profit and wages) in the other's consumable product instead of in his own consumable product, and in fact he can only do this in so far as there is the reciprocal consumption by the other of someone else's consumable product instead of his own. It is the same as if each had consumed that part of his consumable product which represents his own revenue.

For all the rest of the products, however, complicated relations intervene, and it is only here that the commodities exchanged confront each other as revenue and capital, and not only as revenue.

First a distinction has to be made. In all branches of production a part of the total product represents revenue, labour added (during the year), profit and wages. <Rent, interest, etc., are parts of profit; the income of the State good-for-nothings is part of profit and wages; the income of other unproductive labourers is the part of profit and wages which they buy with their unproductive labours—it therefore does not increase the product existing as profit and wages, but only determines how much of it they consume, and how much is consumed by the labourers

and capitalists themselves.> But only in one section of the spheres of production can the part of the product representing revenue enter directly in kind into the revenue, or in its *use-value* be consumed as revenue. All products which are *only* means of production cannot be consumed in kind, in their immediate form, as revenue, but only their *value*. This however must be consumed in the branches of production which produce directly consumable articles. A part of the means of production may be immediate articles of consumption—it may be one or the other according to the use made of it, as for example a horse, a cart, etc. A part of the immediate articles of consumption may be means of production, like corn for spirits, wheat for seed, and so on. Almost all articles of consumption can re-enter the production process as excrements of consumption, as for example worn-out and half-rotten rags of linen in the manufacture of paper. But no one produces linen in order that it should become, as rags, the raw material for paper. It only gets this form after the linen weaver's product as such has entered consumption. Only as excrement of this consumption, as residuum and product of the consumption process, can it then go into a new production sphere as means of production. This case, therefore, is not relevant here.

The products therefore—of which the aliquot part that represents revenue can be consumed by their own producers as value, but not as use-value (so that they must sell the part for example of their machines which represents wages and profit in order to consume it, [as they] cannot directly satisfy any individual need with it as a machine)— [these products] can just as little be consumed by the producers of other products; they cannot enter into their individual consumption, and hence cannot form part of the products on which they spend their revenue, since this would be in contradiction to the use-value of these commodities: their use-value by

the nature of the case *excludes* individual consumption. The producers of these unconsumable products, therefore, can only consume their *exchange-value*; that is to say, they must first transform them into money in order to retransform this money into consumable commodities. But to whom are they to sell ||383| them? To producers of other individually unconsumable products? Then they would merely have one unconsumable product in the place of the other. It is however presupposed that this part of the product forms their revenue; that they sell these commodities in order to consume their value in consumable products. For that reason they can only sell them to the producers of products that can be consumed individually.

This part of the exchange of commodities represents exchange of one man's capital for another man's revenue, and of one man's revenue for another man's capital. Only one part of the total product of the producer of consumable products represents revenue; the other part represents constant capital. He can neither himself consume the latter, nor can he exchange it for the consumable products made by others. He can neither consume in kind the use-value of this part of the product, nor can he consume its value by exchanging it for other consumable products. He must on the contrary transform it again into the natural elements of his constant capital. He must *consume industrially* this part of his product, that is, use it as means of production.

But in its use-value his product is only capable of entering individual consumption; he cannot therefore transform it again in kind into his own elements of production. Its use-value excludes *industrial consumption*. So he can only industrially consume its value, [by selling it] to the producers of those elements of production needed for his product. He can neither consume in kind this part of his product, nor can he consume its value by selling it for other products that can

be consumed individually. Just as little as this part of his product can enter into his own revenue, can it be replaced out of the revenue of producers of other individually consumable products; since this would only be possible if he exchanged his product for their product and so consumed the value of his product, which cannot happen. But since this part of his product, as well as the other part which he can consume as revenue, by its use-value can only be consumed as revenue, must enter into individual consumption and cannot replace constant capital, it must enter into the revenue of the producers of unconsumable products —it must be exchanged against that part of their products whose value they can consume, or in other words which represents their revenue.

If we look at this exchange from the standpoint of each of the people exchanging, for A, the producer of the consumable product, it represents a transformation of capital into capital. He transforms the part of his total product which is equal to the value of the constant capital it contains back again into the natural form in which it can function as constant capital. Both before and after the exchange it represents, in its value, only constant capital. For B, the producer of the product that cannot be consumed, it is the reverse: the exchange represents merely the transformation of revenue from one form into another. He transforms the part of his total product which forms his revenue—equal to the part of the total product which represents labour newly added, his own labour (capital and labourer)—into the natural form in which only he can consume it as revenue. Both before and after the exchange it represents, in its value, only his revenue.

If we look at the relation from both sides there, A exchanges his constant capital for B's revenue, and B exchanges his revenue for A's constant capital. B's revenue replaces A's constant capital, and A's constant capital replaces B's revenue.

In the exchange itself <irrespective of the purposes of those carrying it out> only commodities confront each other—and a simple exchange of commodities takes place—the relation between which is merely that of commodities, the designations of revenue and capital having no significance here. Only the different *use-value* of these commodities shows that one lot can only serve for industrial consumption, and the other only for individual consumption, can only enter into this consumption. The various practical uses of the various use-values of various commodities, however, concern their consumption and do not affect the process of their exchange as commodities. It is quite a different thing when the capitalist's capital is transformed into wages, and labour is transformed into capital. Here the commodities do not confront each other as simple commodities, but capital as capital. In the exchange we have just been considering sellers and buyers face each other only as sellers and buyers, only as simple commodity owners.

It is further clear that the whole of the product destined for individual consumption or the whole product entering into individual consumption, in so far as it enters into it, can only be exchanged for revenue. The fact that it cannot be industrially consumed means precisely that it can only be consumed as revenue, i.e., only individually. <As noted above, we here abstract from the transformation of profit into capital.>

If A is a producer of a product that can only be individually consumed, let his revenue be equal to one-third of his total product, his constant capital to two-thirds. The assumption implies that he himself consumes the first one-third, whether he ||384| consumes it all himself in kind or only partly or not at all, or whether he consumes its value in other articles of consumption; the sellers of these articles of consumption then consume their own revenue in A's product. So the part of the

consumable product which represents the revenue of the producers of consumable products is consumed by them either directly, or indirectly, through exchanging among themselves the products to be consumed by them; in regard to this part, therefore, where *revenue is exchanged for revenue—here* it is the same as if A represented the producers of all consumable products. He himself consumes one-third of this aggregate amount, the aliquot part which represents his revenue. This part, however, represents exactly the quantity of labour which during the year category A has added to its constant capital, and this quantity is equal to the total sum of wages and profits produced by category A during the year.

The other two-thirds of category A's total product are equal value of the constant capital, and must therefore be replaced by the product of the annual labour of category B, which produces products that cannot be [individually] consumed and only enter into industrial consumption as means of production in the production process. But as this two-thirds of A's total product, just the same as the first one-third, must enter into individual consumption, it is taken by the producers of category B, in exchange for the part of their product which represents their revenue. Category A has therefore exchanged the constant part of its total product for constant capital in its original natural form, retransforming it into the newly-produced products of category B; but category B has only paid for it with that part of its product which represents its revenue but which it can only consume in the products of A. It has thus in fact paid with its newly-added labour, which is completely represented by the part of B's product that is exchanged for the last two-thirds of A's product. Thus A's total product is exchanged for revenue, or passes entirely into individual consumption. On the other hand (on the assumption that the transformation of revenue into capital is here left out of account, being

taken as equal to nil) the *total revenue* of society is expended on product A; for the producers of A consume their revenue in A, and so do the producers of category B. And there is no other category besides these two.

The total product A is consumed, although it contains two-thirds constant capital, which cannot be consumed by the producers of A but must be retransformed into the natural form of their elements of production. The total product A is equal to the total revenue of society. The total revenue of society, however, represents the total labour-time which it has added during the year to the existing constant capital. Now although the total product A consists of newly-added labour only as to one-third, and as to two-thirds of past labour that has to be replaced, it can be bought in its entirety by newly-added labour, because two-thirds of this total annual labour must be consumed not in their own products but in the products of A. A is replaced by two-thirds more newly-added labour than it itself contains, because these two-thirds are labour newly added in B, and B can only consume it individually in A, just as A can only consume the two-thirds industrially in B. Thus the total product of A can in the first place be entirely consumed as revenue, and at the same time its constant capital can be replaced. Or rather it can only be entirely consumed as revenue because two-thirds of it are replaced by the producers of constant capital, who cannot consume in kind the part of their product representing revenue, but are obliged to consume it in A, that is, through exchanging it for two-thirds of A.

We have thus disposed of the final two-thirds of A.

It is clear that it makes no difference if a third category C exists, whose products are consumable both industrially and individually; for example, corn, by men or by cattle or as seed or as bread; vehicles, horses, cattle, etc. In so far as these products enter into individual consumption they must be consumed as revenue, direct

or indirect, by their own producers, or by the producers (direct or indirect) of the part of the constant capital contained in them. They therefore come under A. In so far as they do not enter into individual consumption, they come under B.

The process of this second kind of exchange, where it is not revenue that is exchanged against revenue but capital against revenue —in which the whole constant capital must in the end be resolved into revenue, that is, into newly-added labour —can be thought of in two ways. Let A's product be for example linen. The two-thirds of the linen which are equal to the constant capital of A (or its value) pay for yarn, machinery and auxiliary materials. But the yarn manufacturer and the manufacturer of machinery ||385| can only consume as much of this product as represents their own revenue. The linen manufacturer pays the whole price of the yarn and machinery with these two-thirds of his product. By so doing he has thus replaced for the spinner and the machinery manufacturer their total product which entered into the linen as constant capital. But this total product is itself equal to the constant capital and revenue—one part being equal to the labour added by the spinner and machinery manufacturer, and another part representing the value of their own means of production, that is, for the spinner flax, oil, machinery, coal, etc., and for the machinery manufacturer coal, iron, machinery, etc. A's constant capital, equal to two-thirds, has thus replaced the total product of the spinner and machinery manufacturer, their constant capital plus the labour newly added by them—their capital plus their revenue. But they can only consume their revenue in A. After deducting the part of the two-thirds of A which is equal to their revenue, with the rest they pay for their raw materials and machinery. According to our assumption, however, the latter need not replace any constant capital. Only so much of their product can enter

into product A—and therefore also into the products which are means of production for A—as A can pay for. But A can only pay with his two-thirds for as much as B can buy with his revenue, that is to say, as much as the product exchanged by B contains revenue, newly-added labour. If the producers of the final elements of production of A had to sell to the spinner a quantity of their product which represented a part of their own constant capital— that is, which represented more than the labour they had added to their constant capital—then they could not accept payment in A, because they cannot consume one part of this product. Consequently what takes place is the opposite.

Let us trace the stages in reverse. Let us assume that the total linen is equal to 12 days. The product of the flax-grower, of the iron manufacturer, etc., is equal to 4 days; this product is sold to the spinner and the machinery manufacturer, who in turn add 4 days to it; these sell it to the weaver, who again adds 4 days. The linen weaver can thus himself consume one-third of his product; 3 days replace his constant capital for him and pay for the product of the spinner and machinery manufacturer; these can consume 4 of the 8 days, and with the other 4 they pay the flax-grower, etc., and thus replace their constant capital; the last-named have only their labour to replace with the last 4 days in linen.

The revenue, although it is assumed to be of the same size— equal to 4 days—in all three cases, is of different proportions in the products of the three classes of producers who participate in producing product A. For the linen weaver, it is one-third of his product, equal to one-third of 12; for the spinner and for the machinery manufacturer it is equal to one-half of his product, equal to one-half of 8; for the flax-grower it is equal to his product, 4. In relation to the total product it is however exactly the same, equal to one-third of 12, that is, 4. But for the weaver, the labour newly added by spinner,

machinery manufacturer and flax-grower takes the form of constant capital. For the spinner and machinery manufacturer, the total product represents the labour newly added by themselves and by the flax-grower, the labour-time of the flax-grower appearing as constant capital. For the flax-grower, this phenomenon of constant capital has ceased to exist. Because of this, the spinner for example can use machinery, or constant capital in general, in the same proportions as the weaver. For example, $^{1}/_{3} : {}^{2}/_{3}$. But in the first place the amount (the total amount) of the capital employed in spinning must be smaller than that used in weaving, since its total product enters as constant capital into weaving. Secondly, if the spinner also has the proportion of $^{1}/_{3} : {}^{2}/_{3}$, his constant capital would be equal to $^{16}/_{3}$ his labour added to $^{8}/_{3}$; the former equal to $5\,{}^{1}/_{3}$ days' labour, the latter to $2\,{}^{2}/_{3}$. In this case there would be proportionately more days' labour contained in the branch which supplies him with flax, etc. He would then have to pay $5\,{}^{1}/_{3}$ for newly-added labour, instead of 4 days.

It is self-evident that only that part of category A's constant capital has to be replaced by new labour which enters into the process of giving value to A, that is, is consumed by A during the labour-process. The whole of the raw material and the auxiliary materials enter into it, and the wear and tear of the fixed capital. The other part of the fixed capital does not enter into it, and therefore has not got to be replaced.

A large part of the existing constant capital—large as regards the relation of the fixed capital to the total capital—does not therefore require to be replaced annually by new labour. For that reason the (absolute) amount [of the capital to be annually replaced] may be considerable, but nevertheless it is not large in relation to the total (annual) product. This *entire part of the constant capital*, in A and B, which enters into the determination of the rate of profit (with a given surplus-

value), does not enter as a determining element into the current reproduction of the fixed capital. The larger this part in relation to the total capital—the greater the scale on which present, already existing, fixed capital is employed in production—the greater the *current volume of reproduction* will be that is used for the replacement of the worn-out fixed capital, but the smaller relatively will be the *proportional* amount, in relation to the total capital,

Let the reproduction period (*the average*) for all kinds of fixed capital be ten years. ||386| Let us assume that the different kinds of fixed capital have a turnover of 20, 17, 15, 12, 11, 10, 8, 6, 4, 3, 2, 1, $^4/_6$ and $^2/_6$ years (14 kinds), so that the fixed capital has an *average* turnover of 10 years.

On the average, therefore, the capital would have to be replaced in 10 years. If the total fixed capital amounted to $^1/_{10}$ of the total capital, then $^1/_{10}$ of this would mean that only $^1/_{100}$ of the total capital would have to be replaced annually.

If it amounted to $^1/_3$, then $^1/_{30}$ of the total capital would have to be replaced annually.

But let us now compare fixed capitals with different reproduction periods—the capital with a 20-year period, for example, in contrast to the capital with a period of $^1/_3$ of a year.

Only $^1/_{20}$ of the fixed capital which is reproduced in 20 years has to be replaced annually. So that if it amounts to $^1/_2$ of the total capital, only $^1/_{40}$ of the total capital has to be replaced annually, and if it amounts even to $^4/_5$ of the total capital, only $^4/_{100}=^1/_{25}$ of the total capital has to be replaced annually. On the other hand, if the capital which has a reproduction period of $^2/_6$ of a year—that is, turns over three times a year—amounts to only $^1/_{10}$ of the

capital, then the fixed capital has to be replaced three times a year, so that $^3/_{10}$ of the capital has to be replaced annually, nearly one-third of the total capital. On the average, the larger the fixed capital in proportion to the total capital, the longer is its *relative* (not absolute) period of reproduction; and the smaller it is, the shorter its *relative* period of reproduction. Implements form a much smaller part of handicraft capital than machinery does of machine-production capital. But handicraft implements wear out much more quickly than machinery.

Although the absolute magnitude of its reproduction—or its wear and tear—grows with the absolute size of the fixed capital, as a rule its proportional magnitude falls, in so far as its period of turnover, its duration, as a rule increases in proportion to its size. This proves among other things that the quantity of labour reproducing machinery or fixed capital is not at all proportional to the labour which originally produced these machines (conditions of production remaining the same), since only the annual wear and tear has to be replaced. If the productivity of labour rises—as it constantly does in this branch of production—the quantity of labour required for the reproduction of this part of the constant capital diminishes still more. However, account has to be taken of the means of consumption daily used by the machine (which however have nothing directly to do with the labour employed in the machine-building industry itself). But machinery, which needs merely coal and a little oil or tallow, lives on an infinitely stricter diet than the labourer—not only the labourer whom it replaces, but the labourer who built the machine itself.

We have now disposed of the product of the entire category A and of a part of category B's product. A is completely consumed: one-third by its own producers, two-thirds by the producers of B, who cannot consume

their own revenue in their own product. The two-thirds of A, in which they consume the part of the value of their product which represents revenue, at the same time replace their constant capital in kind for the producers of A, that is, provide them with the commodities which they *consume industrially*. But with the consumption of A's entire product, and with two-thirds of it replaced by B in the form of constant capital, we have also disposed of the *entire* part of the product which represents the labour newly added annually. This labour cannot therefore buy any other part of the total product. In fact, the whole of the labour added annually (leaving out of account the capitalisation of profit) is equal to the *labour contained in A*. For one-third of A which is consumed by its own producers represents the labour newly added by them during the year to the two-thirds of A which represent A's constant capital. They have performed no labour apart from this, which they consume in their own product. And the other two-thirds of A, which are replaced by B's product and consumed by the producers of B, represent all the labour-time which the producers of B have added to their own constant capital. They have added no more in labour, and there is nothing more for them to ||387| consume.

In its *use-value*, product A represents the whole part of the annual total product which enters annually into individual consumption. In its *exchange-value*, it represents the total quantity of labour newly added by the producers during the year.

Thus, however, we have as *residuum* a third part of the total product whose constituent parts, when exchanged, can represent neither the exchange of revenue against revenue nor of capital against revenue and vice versa. This is the part of product B which represents B's constant capital. This part is not included in B's revenue and therefore cannot be replaced by or exchanged against product A, and therefore also cannot enter as a

constituent part into A's constant capital. This part is likewise consumed, industrially consumed, to the extent that it enters not only into B's labour-process but also into the formation of value in B. This part, therefore, like all other parts of the total product, must be replaced *in the proportion in which it forms a component part of the total product*, and indeed it must be replaced in kind by *new* products of the same sort. On the other hand, it is not replaced by any new labour. For the total quantity of newly-added labour is equal to the labour-time contained in A, which is completely replaced only by B consuming his revenue in two-thirds of A and supplying to A in exchange all the means of production which are consumed in A and must be replaced. For the first one-third of A, which is consumed by its own producers, consists only—as exchange-value—of the labour newly added by themselves, and it contains no constant capital.

Let us now examine this residuum.

It consists of the constant capital which enters into raw materials, and secondly of the constant capital which enters into the formation of the capital, and thirdly of the constant capital which enters into auxiliary materials.

First, the raw materials. Their constant capital consists in the first place of fixed capital, machinery, instruments of labour and buildings, and perhaps auxiliary materials, which are means of consumption for the machinery employed. In regard to the directly consumable part of the raw materials —such as cattle, corn, grapes, and such like—this difficulty does not arise. In this aspect they belong to class A. This part of the constant capital contained in them enters into the two-thirds of the constant part of A, which is exchanged as capital against the unconsumable products of B or in which B consumes his revenue. This holds good *too* in general for such raw materials that cannot be immediately consumed as far as they enter in kind into

the consumable product itself, however many intermediate stages they may pass through in the processes of production. The part of flax that is transformed into yarn and later into linen enters in its entirety into the consumable product.

But a part of these *vegetative raw materials*, such as timber, flax, hemp, leather and so on, partly enters directly into the components of the fixed capital itself, and partly into the auxiliary materials for the fixed capital. For example, in the form of oil, tallow, etc.

Secondly, however, *seed* [belongs to the constant capital expended for the production of raw materials]. Vegetative materials and animals reproduce themselves. Vegetation and generation. By seed we mean actual seed, and in addition fodder which reverts to the land as dung, pedigree cattle, etc. This large part of the annual product—or of the constant part of the annual product—itself serves directly as material for regeneration, it reproduces itself.

Non-vegetative raw materials. Metals, stones, etc. Their value consists of only two parts, since here there is no seed—which represents the raw materials of agriculture. Their value consists only of added labour and machinery consumed (including the means of consumption for the machinery). In addition therefore to the part of the product which represents newly-added labour and is hence included in the exchange of B for the two-thirds of A, there is nothing to be replaced but the wear and tear of the fixed capital and its means of consumption (such as coal, oil, etc.). But these raw materials form the principal component part of the constant capital, of the fixed capital (machinery and instruments of labour, buildings, etc.). They therefore replace their constant capital in kind by the exchange [of capital against capital].

||388| *Secondly, the fixed capital (machinery, buildings, instruments of labour, containers of all kinds*).

Their constant capital consists of: (1) their raw materials, metals, stones, vegetative raw materials such as timber, leather belting, rope, etc. But though these raw materials form the raw material for them, they themselves enter as instruments of labour into the production of these raw materials. Hence they replace themselves in kind. The iron producer has to replace machinery, the machine builder iron. In quarrying there is wear and tear of machinery, but in factory buildings there is wear and tear of building stone, etc. (2) *The wear and tear of machine—building machinery*, which within a certain period has to be replaced by a new product of the same kind. But the product of the same kind can, of course, replace itself. (3) *The means of consumption for the machine* (auxiliary materials). Machinery consumes coal, but coal consumes machinery, and so on. In the form of containers, tubes, pipes, etc., machinery of all kinds enters into the production of the means of consumption for machinery, as in the case of tallow, soap, gas (for lighting). Therefore also in these cases the products of these spheres enter reciprocally into each other's constant capital, and consequently replace each other in kind.

If beasts of burden are included among machines, what has to be replaced in their case is fodder and in certain conditions stabling (buildings). But if fodder enters into the production of cattle, so do cattle into the production of fodder.

In the third place, auxiliary materials. Some of these require raw materials, like oil, soap, tallow, gas, etc. On the other hand, in the form of fertilisers, etc., they in turn enter in part into the production of these raw materials. Coal is required for making gas, but gas lighting is used in producing coal, etc. Other *auxiliary*

materials consist only of labour added and fixed capital (machinery, containers, etc.). Coal must replace the wear and tear of the steam-engine used to produce it. But the steam-engine consumes coal. Coal itself enters into the means of production of coal. Thus it replaces itself in kind. Transport by rail enters into the production costs of coal, but coal in turn enters into the production costs of the locomotive.

Later on, there is something special to be added about chemical factories, all of which in greater or smaller degree produce auxiliary materials, such as the raw material of containers (for example, glass, porcelain), as well as articles which enter directly into consumption.

All colouring materials are auxiliary materials. But they enter into the product not only as to their value, as for example coal consumed enters into cotton; but they reproduce themselves in the form of the product (its colours).

Auxiliary materials are either *means of consumption for machinery* —in this case either fuel for the prime mover, or means of reducing the friction of the operating machinery, such as tallow, soap, oil, etc.—or they are auxiliary materials for buildings, like cement, etc. Or they are auxiliary materials for carrying on the production process in general, such as lighting, heating, etc. (in this case they are auxiliary materials required by the labourers themselves to enable them to work).

Or *they are auxiliary materials* which enter into the formation of the raw materials as do all types of fertilisers and all chemical products consumed by the raw materials.

Or *they are auxiliary materials* which enter into the finished product—colouring matter, polishing materials, and so on.

The result is therefore:

A replaces his own constant capital, [equal to] two-thirds [of the product], by exchange with that part of B's unconsumable product which represents B 's revenue—that is, the labour added in category B during the year. But A does not replace B's constant capital. B for his part must replace this constant capital in kind by new products of the same sort. But B has no labour-time over to replace them with. For all the new labour-time added by him forms his revenue, and is therefore represented by the part of B's product which enters as constant capital into A. How then is B's constant capital replaced?

Partly by his *own reproduction* (vegetative or animal), as in all agriculture and stock-raising; partly by *exchange in kind* of parts of one constant capital for parts of another constant capital, because the product of one sphere enters as raw material or means of production into the other sphere, and vice versa; that is, because the products of the various spheres of production, the ||389| various sorts of constant capital, enter reciprocally in kind into each other's sphere as conditions of production.

The producers of unconsumable products are the producers of constant capital for the producers of consumable products. But at the same time their products serve them reciprocally as elements or factors of their own constant capital. That is to say, they consume each other's products *industrially*.

The whole product A is consumed. Therefore also the whole of the constant capital it contains. The producers of A consume one-third of A, the producers of the unconsumable products B consume two-thirds of A. A's constant capital is replaced by the products of B which form B's revenue. This is in fact the only part of the constant capital that is replaced by *newly-added*

labour; and it is replaced by it because the quantity of products B that is the newly-added labour in B, is not consumed by B, but on the contrary is industrially consumed by A, while B consumes individually the two-thirds of A.

Let A be equal to 3 days' labour; his constant capital, on our assumption, is equal to 2 days' labour. B replaces the product of two-thirds of A, and so supplies unconsumable products equal to 2 days' labour. Now 3 days' labour have been consumed, and 2 are left. In other words, the 2 days of past labour in A are replaced by 2 days of newly-added labour in B, but only because the 2 days of newly-added labour in B consume their value in A and not in product B itself.

B's constant capital, in so far as it has entered into the total product B, must likewise be replaced *in kind* by new products of the same sort—that is, by products which are required for *industrial* consumption by B. But it is not replaced by *new* labour-time, although it is replaced by the *products* of the labour-time newly applied during the year.

Let the whole constant capital in B's total product be two-thirds. Then if the newly-added labour (equal to the total wages and profit) is 1, the past labour which served it as material and means of labour is equal to 2. How then are these 2 replaced? The proportion of constant and variable capital may vary considerably within the various spheres of production of B. But on our assumption the average is as $^1/_3 : {}^2/_3$, or 1 : 2. Each of the producers of B is now Laced by two-thirds of his product, such as coal, iron, flax, machinery, cattle, wheat (i.e., the part of his cattle and wheat that does not enter into consumption), etc.; whose elements of production must be replaced, or which must be reconverted into the natural form of their elements of production. But all these products themselves re-enter industrial consumption. The wheat

(as seed) is in turn also its own raw material, and a part of the cattle produced replaces what has been consumed, that is, itself. In these spheres of production of B (agriculture and stock-raising) this part of their product therefore replaces their own constant capital in its natural form. A part of this product, therefore, does not go into circulation (at least need not go into circulation, and can only do so in a formal sense). Others of these products, such as flax, hemp, etc., coal, iron, timber, machinery, in part enter into their own production as means of production, in the same way as seed in agriculture: for example, coal in the production of coal, and machinery in the production of machinery. A part of the product consisting of machinery and coal, and in fact a part of that part of this product which represents its constant capital, thus replaces itself and merely changes its place in the process of production. It changes from a product into its own means of production.

Another part of these and of other products reciprocally enter into each other as elements of production—machinery into iron and timber, timber and iron into machinery, oil into machinery and machinery into oil, coal into iron, iron (tram-rails, etc.) into coal, and so on. In so far as the two-thirds of these products of B are not self-replacing in this way—that is, do not come back in their natural form into their own productions so that a part of B is directly consumed industrially by its own producers, just as a part of A is directly consumed individually by its own producers—the products of the producers of B replace each other reciprocally as means of production. The product of a goes into b's industrial consumption and the product of b into a's industrial consumption; or in a roundabout way, a's product into b's industrial consumption, b's product into that of c, and that of c into that of a. What therefore is consumed as constant capital in one of B's spheres of production is newly produced in another; but what is consumed in the

latter is produced in the former. What in one sphere passes from the form of machinery and coal into the form of iron, passes in the other from the form of iron and coal into machinery, and so on.

||390| What has to be done is to replace B's constant capital in its natural form. If we consider B's total product, it represents the entire constant capital in all its natural forms. And where the product of one particular sphere of B cannot replace its own constant capital in kind, purchase and sale, a change of hands, puts everything here in its proper place again.

Here, therefore, there is replacement of constant capital by constant capital; in so far as this does not occur directly and without exchange, here therefore there is *exchange of capital for capital*, that is, of products for products on the basis of their use-value; the products enter reciprocally into their respective production processes, so that each of them is industrially consumed by the producers of the other.

This part of the capital consists neither of profit nor of wages. It contains no newly-added labour. It is not exchanged against revenue. It is neither directly nor indirectly paid for by consumers. It makes no difference whether this reciprocal replacement of capitals is carried through with the aid of merchants (that is, by merchant's capitals) or not.

But since these products are new (machinery, iron, coal, timber, etc., which reciprocally replace each other), since they are the products of the last year's labour—thus the wheat which serves as seed is just as much a product of new labour as the wheat which passes into consumption, etc.—how can it be said that no newly-added labour is contained in these products? And moreover isn't their form striking evidence to the contrary? Even if not in the case of wheat or cattle, surely in the case of a machine its

form bears witness to the labour which has transformed it from iron, etc., into a machine, and so forth.

This problem has been solved earlier, It is not necessary to go into it here again.

<Adam Smith's statement that the trade between dealers and dealers must be equal to the trade between dealers and consumers (by which he means direct, not industrial, consumers, since he himself includes industrial consumers among dealers) is therefore wrong. It is based on his false assertion that the whole product consists of revenue, and in fact only means that the part of the exchange of commodities which is equal to the exchange between capital and revenue is equal to the total exchange of commodities. As the assertion is wrong, the practical applications Tooke made of it for the circulation of money are also wrong (especially the relation between the quantity of money circulating between dealers and the quantity of money circulating between dealers and consumers).

Let us take as the final dealer confronting the consumer the merchant who buys the product of A; this product is bought from him by the revenue of A, equal to one-third of A, and by the revenue of B, equal to two-thirds of A. These replace his merchant's capital for him. The total of their revenues must cover his capital. (The profit which the rascal makes must be accounted for by his retaining a part of A for himself, and selling a smaller part of A for the value of A. Whether the rascal is thought of as a necessary agent of production or as a sybaritic intermediary does not in any way alter the case.) This exchange between dealer in A and consumer of A covers in value the exchange between the dealer in A and all the producers of A, and consequently all dealings between these producers among themselves.

The merchant buys the linen. This is the last dealing between dealer and dealers. The linen weaver buys yarn, machinery, coal, etc. This is the last but one dealing between dealer and dealers. The spinner buys flax, machinery, coal, etc. This is the last dealing but two between dealer and dealers. The flax-grower and machine builder buy iron, machines, etc., and so on. But the dealings between the producers of flax, machinery, iron, coal, [which are carried out] to replace their constant capital, and the value of these dealings, do not enter into the dealings which A's product passes through, whether as the exchange of revenue for revenue, or as the exchange of revenue for constant capital. These dealings—not those between the producers of B and the producers of A, but those between the producers of B—have not to be replaced by the buyer of A to the seller of A, any more than the value of this part of B enters into the value of A. These dealings too require money, and are carried out through merchants. But the part of the circulation of money which exclusively belongs to this sphere is completely separate from that between dealers and consumers.>

||391| Two questions are still to be solved:

1. In our investigation up to now wages have been treated as revenue, without being distinguished from profit. How far in this connection have we to take account of the fact that wages are at the same time part of the circulating capital of the capitalist?

2. Up to now it has been assumed that the total revenue is spent as revenue. The alteration that comes in when a part of the revenue, of the profit, is capitalised, has therefore to be considered. This in fact comes up in the examination of the process of accumulation—but not in its formal aspect. That a part of the product which represents surplus-value is reconverted, partly into wages and partly into constant capital, presents no

difficulty. Here we have to examine how this affects the exchange of commodities under the headings previously considered—under which it can be examined in relation for its holders, that is to say, as exchange of revenue for revenue, exchange of revenue for capital, or finally, exchange of capital for capital.}

<This intermezzo has therefore to be completed in this historico-critical section, as occasion warrants.>

[11.] Ferrier [Protectionist Character of Ferrier's Polemics against Smith's Theory of Productive Labour and the Accumulation of Capital, Smith's Confusion on the Question of Accumulation, The Vulgar Element in Smith's View of "Productive Labourers"]

Ferrier (François-Louis-Auguste) (*Sub-inspector of Customs): Du Gouvernement considéré dans ses rapports avec le commerce*, Paris, 1805. (This was the main source for Friedrich List.) This fellow eulogises the *Bonapartist* system of prohibitions, etc. In fact the Government (therefore also State officials —those unproductive labourers) is in his view important, as a manager directly intervening in production. This

customs officer is consequently extremely angry with Adam Smith for calling State officials unproductive.

> "The principles which Smith *has laid down in regard to the economy of nations* have as their basis a distinction in labour, which he calls productive or unproductive ..."

<Because in fact he wants the largest possible part to be spent as capital, i.e., in exchange for productive labour, and the smallest possible part as revenue, in exchange for unproductive labour.>

> "This distinction is in essence false. *There is no unproductive labour*" (p. 141). "There is therefore economy and prodigality on the part of nations; but a nation is only prodigal or economic in its relations with *other* peoples, and it is from this standpoint that the question should be considered" (l.c., p. 143).

In a moment we shall quote for comparison the context of the passage from Adam Smith which Ferrier regards with such abomination.

> "There is an economy on the part of nations, hut it is very different from what Smith recommends..., It consists in not buying foreign products except in so far as a nation can pay for them with its own, It consists sometimes in doing without them altogether" (l.c., pp. 174-75).

<Book I, Chapter VI, (t. I, éd. Garnier, pp. 108-09) *Adam Smith* says at the end of this chapter which deals with the component parts of the price of commodities:

> "As in a civilised country there are *but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them, so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour*

> *than what was employed in raising, preparing, and bringing that pro duce to market. 1f the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year*, so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country *in which the whole annual produce* is employed in maintaining the industrious. The idle everywhere consume a great part of it; and, according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase or diminish, or continue the same from one year to another" [Smith, *Wealth of Nations*, O.U.P. edition, Vol. 1, pp. 59-60].

There is confusion of all kinds in this passage, in which Smith is in fact trying to solve the problem of accumulation.

First, once again there is the wrong assumption that the "exchangeable value" of the annual product of labour, and so also "*the annual produce of labour*", resolves itself into wages and profits (including rents). We will not deal again with this nonsense. We only observe: the amount of the annual product—or of the funds, the stocks of commodities which are the annual product of labour—consists for the most part ||392| of commodities in kind which can only enter as elements into constant capital <raw materials, seed, machinery, etc.>, which can *only* be consumed industrially. The very *use-value* of these commodities (and they form the larger part of the commodities entering into constant capital) shows that they are not suitable for individual consumption; that therefore revenue cannot be expended on them, whether it is wages, profit or rent. A part of the raw materials (in so far as it is not required for the reproduction of raw materials themselves, or in so far as it does not enter into the fixed capital as auxiliary material or directly as a

component part) will, it is true, later on be given a consumable form, but only through the labour of the current year. As a product of the previous year's labour these raw materials themselves form no part of revenue. It is only the consumable part of the product that can be consumed, can enter into individual consumption and thus form revenue. But even a part of the consumable product cannot be consumed without making reproduction impossible. One part even of the consumable part of commodities therefore must be deducted which must be *consumed industrially*, that is, it must serve as material of labour, as seed, etc., not as means of subsistence, whether for labourers or for capitalists. This part of the product therefore has first to be deducted from Adam Smith's calculation—or rather has to be added to it. *If the productivity of labour remains the same*, then this part of the *product* which does not consist of revenue remains the same from year to year; provided that, with the productivity of labour remaining the same, the same quantity of labour-time as before is employed.

On the assumption therefore that *a greater quantity* of labour than before is used each year, we have to see what happens to the constant capital. In short: in order to employ a greater quantity of labour, it is not enough either that a *greater quantity of labour* should be available, or that a *greater quantity should be paid for*, that is, more should be spent in wages; but the means of labour—raw material and fixed capital—must also be there in order to absorb a greater quantity of labour. Hence this point *is* still to be discussed *after* the points raised by Adam Smith have been cleared up.

So then, once more [we take] his first sentence:

> "As in a civilised country there are but few commodities of which the exchangeable value *arises from labour only, rent and profit contributing largely* to that of the far greater

> part of them, *so the annual produce of its labour will* always he sufficient *to purchase or command a much greater quantity of labour* than *what was employed in raising*, preparing, and bringing that produce to market" (in other words, to produce it).

Here different things are obviously mixed up. Not only living labour, living labour employed during the current year, enters into the exchangeable value of the total annual product, but also past labour, product of the labour of past years. Not only labour in living form, but labour in materialised form. The exchangeable value of the product is equal to the total labour-time which it contains, a part of which consisted of living labour and a part of materialised labour.

Let the proportion of the former to the latter be as $^1/_3 : ^2/_3$ or 1 : 2. Then the value of the total product is equal to 3, of which 2 are materialised labour-time and 1 living labour-time. The *value* of the total product can therefore buy more living labour than is contained in it, on the assumption that materialised labour and living labour exchanged for each other as equivalents, that a definite quantity of materialised labour commanded only a quantity of living labour equal to itself. For the product is equal to 3 days' labour; but the living labour-time contained in it is only equal to 1 day's labour. 1 day's living labour sufficed to produce the product (in fact, only to give the final form to its elements). But 3 days' labour is contained in it. Therefore if it was exchanged entirely against living labour-time, if it was employed only "to purchase or command" quantities of living labour, it would be able to command, to purchase, 3 days' labour.

This however is evidently not what Adam Smith has in mind, and would be a quite useless premise for him. What he means is that a large part of the exchangeable value of the product does not resolve itself (or as he *wrongly* expresses it, because of a confusion of

ideas noted earlier) into wages but into profits and rents, or, as we will say to simplify things, into profits. In other words, the part of the value of the product which is equal to the quantity of labour added during the last year—thus in fact the part of the product which in the proper meaning of the word is the product of last year's labour—pays first the labourers and secondly enters into the capitalist's revenue, his fund for consumption. This whole part of the total product arises from labour, and indeed exclusively from labour; but it consists of paid and unpaid labour. The wages are equal to the total of the paid labour, the profits ||393| to the total of the unpaid labour. If therefore this total product was expended in wages, it could naturally set in motion a greater quantity of labour than that of which it was the product; and in fact the proportion in which the product can set in motion more labour-time than it itself contains depends exactly on the proportion in which the working-day is divided into paid and unpaid labour-time.

Let us assume that the proportion is such that the labourer produces or reproduces his wages in 6 hours, that is, in half a day. Then the other 6 hours or the other half day forms the surplus. Thus for example of a product which contained 100 days' labour [newly-added labour], equal to £50 (when the day's labour is equal to 10s., making 100 days' labour equal to 1,000s., or £50), there would be £25 for wages and £25 for profit (rent). With the £25—equal to 50 days' labour—l00 labourers would have been paid, who would have worked precisely half their labour-time for nothing or for their masters. If therefore the whole product (of the 100 days' labour) were to be expended in wages, then 200 labourers could be set in motion with the £50, each of whom would receive as wages 5s. or half the product of his labour as before. The product of this labour would be equal to £100 (that is, 200 days' labour, equal to 2,000s., or £100), with which 400 labourers (5s. the labourer, making 2,000s.) could be set

in motion, whose product would be equal to £200, and so on.

And this is what Adam Smith means by saying that "the annual produce of labour" will always be sufficient "to purchase or command a much greater quantity of labour" than what was employed to produce the product. (If the labourer were paid the whole product of his labour, that is, £50 for 100 days' labour, then the £50 too could only set in motion 100 days' labour.) And so Smith goes on to say:

> "if the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing."

A part of this product however is consumed by the owners of profit and rent; a part by their parasites. The part of the product that can be expended again in (productive) labour is consequently determined by the part of the product which the capitalists, landlords and their parasites (that is the unproductive labourers) do not themselves consume.

But nevertheless there is always a new fund (a new fund of wages) to set in motion, with the previous year's product, a greater quantity of labourers in the current year. And as the value of the annual product is determined by the quantity of labour-time employed, the value of the annual product will grow each year.

Of course it would be of no use to have the fund "*to purchase* or *command*" a "much greater quantity of labour" than in the previous year unless a greater quantity of labour was on the market. It is of no use to me to have more money to buy a commodity, unless more of this commodity is on the market. Let us assume that the £50 set in motion, instead of the 100 as before (who received

£25), not 200 but only 150 labourers, while the capitalists themselves consumed £12.l0s. instead of £25. The 150 labourers ([receiving] £37.l0s.) would perform 150 days' labour, equal to 1,500s. or £75. But if the quantity of labourers available were, as before, only 100, instead of £25 as before, they would receive £37.l0s, as wages, though their product [would amount to I only £50 as before. Thus the revenue of the capitalist would have fallen from £25 to £l2.l0s., because wages had risen by 50 per cent. Adam Smith knows, however, that an increasing quantity of labour will be available. Partly [due to] the annual increase of the population (though this is supposed to be provided for in the old wages), partly unemployed paupers, or half-employed labourers, etc. Then the large numbers of unproductive labourers, part of whom can be transformed into *productive* labourers by a different way of using the surplus-produce. Finally the same number of labourers can perform a *greater quantity* of labour. And whether I pay 125 labourers instead of 100, or whether the 100 work 15 hours a day instead of 12, would be quite the same thing.

It is incidentally an error of Adam Smith's—directly connected with his analysis of the total product into revenue—to say that with the increase of the productive capital—or with the growth of the part of the annual product which is destined for reproduction—the *labour employed* (the living labour, the part of capital expended in wages) must increase in the same proportion.

||394| Thus first Adam Smith has a fund of consumable means of subsistence, which can "purchase or command" a greater quantity of labour this year than the foregoing year; he has more labour; and at the same time more means of subsistence for this labour. Now we must see how this additional quantity of labour is to be realised.>

Had Adam Smith adhered with full consciousness to the analysis of surplus-value which in substance is to be found in his work—which is created only in the exchange of capital against wage-labour—it would have followed that productive labour is only that which is exchanged against capital: never labour which is exchanged with revenue as such. In order for revenue to be exchanged against productive labour, it must first be transformed into capital.

But taking as his starting-point one aspect of the traditional view—that productive labour is labour which directly produces material wealth of any kind—and at the same time combining with this his distinction in so far as it is based on the exchange of either capital for labour or of revenue for labour, with Smith the following became possible: The kind of labour for which capital is exchanged is always productive (it always creates material wealth, etc.). The kind of labour which is exchanged for revenue may be productive or it may not; but the spender of revenue as a rule prefers to set in motion directly unproductive labour rather than productive. One can see how Adam Smith, by this compound of his two distinctions, very much weakens and blunts the principal distinction.

The following quotation shows that Adam Smith does not take the fixation of labour in a purely external sense; among the various component parts of the fixed capital is enumerated:

> "Fourthly, of the acquired and useful abilities of all the inhabitants and members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realised, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he be Longs. The improved dexterity of a workman

> may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit" ([*Wealth of Nations*, O.U.P, edition, Vol. I, p. 308], [Garnier], l.c., t. II, ch, I, pp. 204-05).

The strange origin of accumulation and its necessity:

> "In that rude state of society, in which there is no division of labour, in which exchanges are seldom made, and in which every man provides every thing for himself, *it is not necessary that any stock should be accumulated, or stored up beforehand, in order to carry on the business of the society*" (that is, after assuming that there is no society). "Every man endeavours to supply, by his own industry, his own occasional wants, as they occur. When he is hungry, he goes to the forest to hunt"—and so on ([ibid., p.301], [Garnier], l.c., t, II, pp. 191-92) (l. II, *Introduction*). "But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a vary small part of his occasional wants. The far greater part of them are supplied by *the produce of other men's labour*, [which he purchases with the produce], or, what is the same thing, the price of the produce of his own, But this *purchase* cannot be made till such time as *the produce of his own labour* has not only been *completed*, but *sold*."

(Even in the first case he could not eat the hare before he had killed it, and he could not kill it before he had produced for himself the classical "bow" or something similar. The only thing that seems to be added in case II is therefore not the necessity of a stock of any sort, but the "time... *to sell* the produce of his labour".)

> "*A stock of goods of different kinds*, therefore, must be *stored up* somewhere, sufficient to maintain him, and to supply him with the materials and tools of his work, till such time at least as both these events can be brought about. A weaver *cannot apply himself*

> *entirely* to his peculiar business, unless there is beforehand stored up somewhere, *either in his own possession, or in that of some other persons, a stock* sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web. This *accumulation must* evidently *be previous* to his applying his industry for so long a time to such a peculiar business, ... *The accumulation of s t o c k must*, in the nature of things, *be previous to the division of labour...*" ([ibid., pp. 301-02], [Garnier], l.c., pp. 192-93).

(On the other hand, according to what he has stated at the beginning, it appears that no accumulation of capital takes place *before* the division of labour, just as there is no division of labour before the accumulation of capital.)

He continues:

> "... Labour can be more and more subdivided in proportion only as stock is previously more and more accumulated. *The quantity of materials which the same number of people can work up, increases in a great proportion* as labour comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and ||395| abridging those operations. As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, *an equal stock of provisions, and a greater stock of materials and tools* than what would have been necessary in a ruder state of things, must be *accumulated be forehand*", ([ibid., p. 302], [Garnier], l.c., pp. 193-94). "As *the accumulation of stock is previously necessary* for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. *The person who employs his stock in maintaining labour*, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as

possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities, in both these respects, are generally in proportion to the extent of his stock, or to the number of people whom it can employ. *The quantity of industry*, therefore, *not only increases in every country with the increase of the stock* which employs it, but, *in consequence of that increase*, the same *quantity of industry produces a much greater quantity of work" (* [ibid., pp. 302-03], [Garnier], l.c., pp. 194-95).

Adam Smith treats the objects which are already in the fund for consumption in exactly the same way as productive and unproductive labour. For instance:

"A dwelling-house, as such, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household furniture are useful to him, which, however, make a part of his expense, and not of his revenue" ([ibid., pp. 306-07], [Garnier], l.c., t. 11, pp. 201-02). On the other hand, fixed capital includes "all those profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the person who possesses them, and pays that rent for them; such as shops, warehouses, workhouses, farm-houses, with all their necessary buildings, stables, granaries, etc, These are very different from mere dwelling-houses. They are a sort of instruments of trade... " ([ibid., p. 308], [Garnier], l.c., t. II, pp. 203-04).

"... All such improvements in mechanics, as enable the same number of workmen to perform an equal quantity of work with cheaper and simpler machinery than had been usual before, are always regarded as advantageous to every society. A certain quantity of materials, and the labour of a certain number of workmen, which had before

been employed in supporting a more complex and expensive machinery, can afterwards be applied to augment the quantity of work which that or any other machinery is useful only for performing" ([ibid., p. 315], [Garnier], l.c., t, II, pp. 216-17).

"... The whole expense of maintaining the *fixed capital is* ... necessarily excluded from the neat revenue of the society" ([ibid., p. 316], [Garnier], l.c., t, II, p. 218). "Every saving, therefore, in the expense of maintaining the *fixed capital*, which does not diminish the productive powers of labour, must increase the fund which puts industry into motion, and consequently the annual produce of land and labour, the real revenue of every society" ([ibid., p. 321], [Garnier], l.c., t. II, pp. 226-27).

Gold and silver money forced to go abroad by bank-notes and by paper money in general—if spent "in purchasing foreign goods for home consumption"—buys either luxury products such as foreign wines, foreign silks, etc., in a word, "goods ... likely to be consumed by *idle people*, who produce nothing... or .., they may purchase *on additional stock of materials, toots, and provisions, in order to maintain and employ an additional number of industrious people, who reproduce, with a profit, the value of their annual consumption*" ([ibid., p. 324], [Garnier], l.c., t. II, pp. 231-32).

The first manner of employment, says Smith, promotes prodigality, "increases expense and consumption, without increasing production, or establishing any permanent fund for supporting that expense, and is in every respect hurtful to the society" ([ibid., p. 324], [Garnier], l.c., t. II, p. 232). On the other hand "employed in the second way, it promotes industry; and though it increases the consumption of the society, it provides a permanent fund for supporting that consumption; *the people who consume reproducing, with a profit, the whole value of their annual consumption*" ([ibid., p. 324], [Garnier], l.c., t, II, p. 232).

> "The quantity of industry which any capital can employ, must evidently be equal to the number of workmen whom it can supply with materials, tools, and a maintenance suitable to the nature of the work" ([ibid., p.326], [Garnier], l.c., t, II, p. 235).

||396| In *Chapter III of Book II* (l.c., t. II, p. 314 sqq.) [we find]:

> "Both productive and unproductive labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce ... must have certain limits. According, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case, and the less in the other, will remain for the productive, and the next year's produce will be greater or smaller accordingly...
>
> "Though the whole annual produce of the land and labour of every country is ... ultimately destined for supplying the consumption of its inhabitants, and for procuring a revenue to them; *yet when it first* comes either from the ground, or from the hands of the productive labourers, it naturally divides itself into two parts. One of them, and frequently the largest, is, in the first place, destined for *replacing a capital, or for renewing the p r o v i s i o n s, materials, and finished work*, which had been withdrawn from a capital; the other for constituting a revenue either to the owner of this capital, as the profit of his stock, or to some other person, as the rent of his land...
>
> "*That part of the annual produce of the land and labour of any country which replaces a capital*, never is immediately employed to maintain any but productive hands. It pays the wages of productive labour only. That which is immediately destined for constituting a revenue... may maintain indifferently either productive or unproductive hands. ...

"Unproductive labourers, and those who do not labour at all, are all maintained *by revenue;* either, first, by that part of the annual produce which is originally destined for constituting a revenue to some particular persons, either as the rent of land, or as the profits of stock; or, secondly, by the part which, though originally destined for replacing a capital, and for maintaining productive labourers only, yet when it comes into their hands, whatever part of it is over and above their necessary subsistence, may be employed in maintaining indifferently either productive or unproductive hands. Thus ... even the common workman, if his wages are considerable, may maintain a menial servant; or he may sometimes go to a play or a puppet-show, and so contribute his share towards maintaining one set of unproductive labourers; or he may pay some taxes, and thus help to maintain another set ... equally unproductive, No part of the annual produce, however, which had been originally destined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labour, ... The workman must have earned his wages by work done, before he can employ any part of them in this manner,.,, The rent of land and the profits of stock are everywhere... the principal sources from which unproductive hands derive their subsistence, " These two sorts of revenue "might both maintain indifferently, either productive or unproductive hands. They seem, however, to have some predilection for the latter....

"The proportion, therefore, between the productive and unproductive hands, depends very much in every country upon the proportion between that part of the annual produce, which, as soon as it comes either from the ground, or from the hands of the productive labourers is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent or as profit. This proportion is very different in rich from what it

is in poor countries" [*Wealth of Nations*, O.U.P. edition, Vol. I, pp. 370-73].

> [Adam Smith] then contrasts the "very large, frequently the largest, portion of the produce of the land" which "in the opulent countries of Europe [...] is *destined for replacing the capital of the rich and independent farmer" with* "the prevalency of the feudal government", when "a very small portion of the produce was sufficient to replace the capital employed in cultivation".

It is the same with commerce and manufactures. Large capitals are now employed in them, formerly very small capitals, but they

> "yielded very large profits. The rate of interest was nowhere less than ten per cent, and their profits must have been sufficient to afford this great interest. At present, the rate of interest, in the improved parts of Europe, is nowhere higher than six per cent; and in some of the most improved, it is so low as four, three, and two per cent. Though that part of the revenue of the inhabitants which is derived from the profits of stock, is always much greater in rich than in poor countries, it is because the stock is much greater; in proportion to the stock, the profits are generally much less.
>
> "That part of the annual produce, therefore, which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a capital, ||397| is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately destined for constituting a revenue either as rent or as profit. The funds destined for the maintenance of productive labour are not only much greater in the former than in the latter, but bear a much greater proportion to those which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter,"

(Smith falls into the error of identifying the size of the productive capital with the *size of that part of it* which is destined to provide subsistence for productive labour. But in fact large-scale industry, as he knew it, was as yet only in its beginnings.)

> "The proportion between those different funds necessarily determines in every country the general character of the inhabitants as to industry or idleness." Thus he says for example: in English and Dutch manufacturing towns "where the inferior ranks of people are chiefly maintained by the employment of capital, they are in general industrious, sober and thriving". On the other hand, in "towns which are principally supported by the [constant or occasional] residence of a court, and in which the inferior ranks of people are chiefly maintained by the spending of revenue, they are in general idle, dissolute, and poor; as at Rome, Versailles",* etc. [ibid., pp. 372-75].
>
> "The proportion between capital and revenue, therefore, seems everywhere to regulate the proportion between industry and idleness. Wherever capital predominates, industry prevails: wherever revenue, idleness. *Every increase or diminution of capital*, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the anneal produce of the land and labour of the country, the real wealth and revenue of all its inhabitants. ...
>
> "What is annually saved, is as regularly consumed as what is annually spent, and nearly in the same time, too: but it is consumed by a different set of people." The first portion "by idle guests and menial servants, who leave nothing behind them in return for their consumption". The second [portion] "by labourers [...] who, reproduce, with a profit, the value of their annual consumption... The consumption is the same, but the consumers are different" [ibid., pp. 377-78].

Hence Smith's homilies (further on [Garnier], 1, c., t. II, l. II, ch. III, pp. 328-29 sqq.) on the frugal man, who by his annual savings provides something like a public workhouse for an additional number of productive hands, and thus

> "establishes, as it were, a perpetual fund for the maintenance of an equal number in all times to come", while the prodigal diminishes "the funds destined for the employment of productive labour... If the quantity of food and clothing, which were thus" (as a result of the prodigal's prodigality) "consumed by unproductive, had been distributed among productive hands, they would have *reproduced, together with a profit*, the full value of their consumption" [ibid., pp. 378-79].

The conclusion of this moral tale is that these (frugality and prodigality) average out among private individuals, that in fact "wisdom" prevails.

> "Great nations are never impoverished by private, though they sometimes are by public prodigality and misconduct. The whole, or almost the whole public revenue is, in most countries, employed in maintaining unproductive hands." [These include] the people of the court, the church, fleets and armies, "who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expense of maintaining them, even while the war lasts. *Such people, as they themselves produce nothing, are all maintained by the produce of other men's labour*. When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, ns not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year" [ibid., pp. 382-83].

[In] Chapter IV of Book II [Smith writes]:

> "The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater. Labourers easily find ||398| employment; but the owners of capitals find it difficult. To get labourers to employ. Their competition raises the wages of labour, and sinks the profits of stock" ([ibid., p. 395], [Garnier], l.c., t. II, p. 359).

In Chapter V of Book II (p. 369 sqq., t. II) of the "*Different Employments of Capitals*", Smith classifies them according as they employ more or less productive labour, and, consequently, raise "the exchange-value" of the annual product. First *agriculture*. Then *manufacture*. Then *co mmerce*, and finally *retail trade*. This is the order of precedence in which they set in motion quantities of productive labour. Here too we get a completely new definition of productive labourers:

> "The persons whose capitals are employed in any of those four ways, are themselves *productive labourers*. Their labour, when properly directed, fixes and realises itself in the subject or vendible commodity upon which it is bestowed, and generally adds to its price the value at least of their own maintenance and consumption" ([ibid., p. 404], [Garnier], l.c., p. 374).

(On the whole he sees their productivity in the fact that they put into motion productive labour.)

He says of *the farmer:*

> "No equal capital puts into motion a greater quantity of *productive labour* than that of the farmer, Not only his labouring servants, but *his labouring cattle are productive labourers*" [ibid., p. 405.].

So in the end the ox too is a productive labourer.

[12.] Earl of Lauderdale [Apologetic Conception of the Ruling Classes as Representatives of the Most Important Kinds of Productive Labour]

Lauderdale (Earl of): *An Inquiry into the Nature and Origin of Public Wealth*, etc., [Edinburgh and] London, 1804. (The French translation: *Recherches sur la nature et l'origine de la richesse publique* etc. par *Lagentie de Lavaïsse*, Paris, 1808.)

Lauderdale's apologetic justification of profit will be examined only later on, in Section III. It regards profit as arising from capitals themselves, because they "*supplant*" labour. They are paid for doing what otherwise, without them, the hand of man would have to do, or could not do at all.

> "Now it is apprehended, that in every instance where capital is so employed as to produce a profit, it uniformly arises, either—from its supplanting a portion of labour which would otherwise be performed by the hand of man; or—from its performing a portion of labour, which is beyond the personal exertion of man to accomplish" (French translation, p. 119)* [p. 161].

The "Earl" is a great enemy of Smith's doctrine of accumulation and saving, Also of his distinction between *productive* and *unproductive labourers;* but according to him what Smith calls "productive powers of labour" are only the "productive power of capital". He

flatly denies the derivation of surplus-value put forward by Smith, on the following grounds:

> "If this, however, was a just and accurate idea of the profit of capital, it would follow that the profit of stock must be derivative, and not an original source of revenue: and capital could not therefore be considered as a source of wealth, its profit being only a transfer from the pocket of the labourer into that of the proprietor of stock" (l.c., pp. 116-17) [p. 157].

It is clear that on these premises he picks on the most superficial points in his polemic against Smith. Thus he says:

> "Thus the same labour may appear either productive or unproductive, according to the use subsequently made of the commodity on which it was bestowed. If my cook, for example, makes a tart which I immediately consume, he is considered as an unproductive labourer; and the net of making the tart is unproductive labour: because that service has perished at the moment of its performance: but if the same labour is performed in a pastry cook's shop, it becomes productive labour" (l.c., p. 110) [pp. 149-50].

(*Garnier* has the copyright in this argument, as his edition and notes on Smith appeared in 1802, two years before Lauderdale.)

> "This extraordinary distinction, founded on the mere durability of the services performed, classes as unproductive labourers some of those who are occupied in rendering the most important services to society. Thus the sovereign, and all who are employed in the maintenance of religion, the justice, or the defence of the State, as well as those whose skill and care are occupied in superintending the health and education of the society, are alike deemed unproductive Labourers" (l.c., pp. 110-11) [p. 151], (Or, as Adam Smith [Garnier trans.] l. II, ch. III, p. 313) presents the elegant

sequence: “churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc.” [*Wealth of Nations*, O.U.P, edition, Vol. I, p. 370].)

> “If exchangeable value is to be considered as the basis of wealth,—it is needless to use much argument to explain the errors of this doctrine. ||399| The practice of mankind, in estimating these services, if we can judge by what is paid for them, bears sufficient testimony of its inaccuracy” ([Lauderdale], l.c., p. 111) [pp. 151-52].

Further: “The labour of the manufacturer fixes and realises itself in some vendible commodity... Neither the *labour performed by the menial servant*, nor that of which the necessity is supplanted by circulating capital,” < by this he means *money*> “do naturally stock, or store themselves up in such a manner as to be transferred from one to another for a defined value. The profit of the one and the other alike arises from *saving the labour of the owner* or master. The similarity is indeed such that it is natural to suppose the same circumstances which led the one to be deemed unproductive, would naturally create the same impression with relation to the other.” > And thereupon he quotes Smith, Book II, Chapter II, > (Lauderdale, l.c., pp. 144-45) [pp. 195-97].

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Thus we would have the succession: Ferrier, Garnier, Lauderdale, Ganilh. The latter phrase about the “*saving of labour*” is particularly hard ridden by *Tocqueville*.

[13. Say’s Conception of “Immaterial

Products". Vindication of an Unrestrained Growth of Unproductive Labour]

After Garnier appeared the inane Jean-Baptiste Say's *Traité d'économie politique*. He reproaches Smith in that "he refuses the name of *products* to the *results* of these activities [e.g., those of the physician, actor, etc.]. He gives the labour spent on them the name *unproductive*" (3me éd., t. I, p. 117).

Smith does not at all deny that these activities produce a "result", a "product" of some kind. He even expressly mentions "the protection, security, and defence of the commonwealth" as "the effect of their labour this year" (the labour of the servants of the public) ([*Wealth of Nations*], O.U.P. edition, Vol. I, pp. 369-70] *Smith*, t. II, éd, Garnier, l. II, ch. III, p. 313).

Say for his part sticks to Smith's secondary definition, that these "services" and their product "generally perish in the very instant of their performance", "in the very instant of their production" (*Smith*, l.c.).

Monsieur Say calls these consumed "services", or their products, results—in a word, their use-value—"immaterial products or values, which are consumed in the instant of their production". Instead of calling them "unproductive", he calls them "productive of immaterial products". He gives them another name. But then he declares further:

> "that they do not serve to augment the national capital" (t, I, p. 119). "A nation in which there were a multitude of musicians, priests and officials, might be pleasantly entertained, well educated and governed admirably well, but that would be all, Its capital

> would not receive any direct increase from all the labour of these industrious men, because their products would be, consumed as fast as they were created" (l.c., p. 119).

Thus Monsieur Say declares these labours to be *unproductive* in the most restricted sense used by Smith. But at the same time he wants to appropriate Garnier's "step forward". Hence he invents a new name for unproductive labours. This is his kind of originality, his kind of productivity and way of making discoveries, And with his customary logic, he refutes himself again, He says:

> "It is [...] impossible to accept the view of Monsieur Garnier, who concludes from the fact that the labour of physicians, lawyers and other similar persons is productive, that it is as advantageous for a nation to increase it as any other labour" (l.c., p. 120).

And why not, if one kind of labour is as productive as the other, and the increase of productive labour is in general "advantageous for a nation"? Why is it not as advantageous to increase this kind of labour as any other? Because, Say replies with his characteristic profundity, because it is not at all advantageous to increase productive labour of any kind above the need for this labour. But then surely Garnier is right. For it is equally advantageous—that is, equally disadvantageous—to increase the one kind of labours as to increase the other kind above a certain quantity.

> "The case is the same," Say continues. "as with physical labour expended on a product beyond what is necessary to make it."

(Not more joiner's labour should be employed to make a table than is necessary for the production of the table. Or to patch up a sick body, not more than is necessary to cure it. So lawyers and physicians should

perform only the necessary labour for the production of their immaterial product.)

> "The labour which is productive of immaterial products, *like all other labour*, is only productive up to the point at which it increases the utility, and consequently the value" (that is the use-value, but Say mistakes the utility for the exchange-value) "of a product: beyond this point, it is a purely unproductive labour" (l.c., p. 120).

Say's logic is therefore this:

It is *not so useful* for a nation to increase the "producers of immaterial products" as to increase the producers of material products. *Proof:* it is absolutely useless to increase the producers of any kind of product, whether material or immaterial, beyond what is necessary. *Therefore* it is more useful to increase the useless producers of material products than those of immaterial products. It does not follow in both cases that it is useless to increase these producers, but only the producers of a particular kind in their corresponding branch of production.

[According to Say], too many material products cannot ||400| be produced, nor can too many immaterial. But a change is diverting. So different kinds must be produced in both departments. And moreover Monsieur Say teaches: "Sluggishness in the sale of some products arises from the scarcity of some others" (l.c., p. 438).

Therefore there can never be too many tables produced, but at most perhaps too few dishes to be put on the tables. If physicians increase too much in number, what is wrong is not that their services are available in superfluity, but perhaps that the services of other producers of immaterial products are in short supply—for example, prostitutes (see l. c., p. 123, where the industries

of street-porters, prostitutes, etc., are grouped together, and where Say ventures to assert that the "apprenticeship" for a prostitute "amounts to nothing").

In the end, the scales come down on the side of the "unproductive labourers". With given conditions of production, it is known exactly how many labourers are needed to make a table, how great the quantity of a particular kind of labour must be in order to make a particular product. With many "immaterial products" this is not the case. The quantity of labour required to achieve a particular result is as conjectural as the result itself. Twenty priests together perhaps bring about the conversion that one fails to make; six physicians consulting together perhaps discover the remedy that one alone cannot find, In a bench of judges perhaps more justice is produced than by a single judge who has no control but himself. The number of soldiers required to protect a country, of police to establish order in it, of officials "to govern it" well, etc. —all these things are problematical and are very often discussed for example in the English Parliament; although how much spinning labour is needed to spin 1,000 lbs. of twist is known very exactly in England. As for other "productive" labourers of this kind, the concept of them includes the fact that the utility which they produce depends only on their number, consists in their number itself. For example, lackeys, who should bear witness to their master's wealth and elegance. The greater the number of them, the greater the effect they are supposed to "produce". Thus Monsieur Say sticks to his point: "unproductive labourers" can never be sufficiently increased in numbers. |400||

[14.] Count Destutt de Tracy [Vulgar Conception of the

Origin of Profit. Proclamation of the Industrial Capitalist" as the Sole Productive Labourer]

||400| Le comte Destutt de Tracy: *Élémments d'idéologie, IVe et Ve parties. Traité de la volonté et de ses effets*, Paris, 1826 ([First edition] 1815).

> "All useful labour is really productive, and the whole labouring class of society equally deserves the name *productive*" (p. 87).

But in this productive class he distinguishes "the labouring class which *directly produces* all our wealth" (p. 88) —that is, what Smith calls the productive labourers.

As against these, the *sterile* class consists of the rich, who consume their rent of land or rent on money. They are the *idle class*.

> "The real *sterile* class is the class of idlers, who do nothing but live what is called *nobly* on the products of labours performed before them, whether these products are realised in landed property which they farm out, that is to say, which they *lease* to a labourer, or whether they consist in money or goods that they lend for a return, which also means to *lease* them. Those are the real drones of the hive (*fruges consumere nati**)" (p. 87): these idlers "can expend nothing but their *revenue*. If they break into their funds ||401| , nothing replaces diem; and their consumption, increased for the moment, ceases for ever" (p. 237).
>
> "This *revenue* is ... only a deduction from the products of activity of the industrious citizens" (p. 236).

How then does it stand with the labourers whom these idlers directly employ? In so far as they consume commodities, they do not consume actual labour, but the products of the productive labourers, Here therefore we are dealing with labourers for whose labour the idlers directly exchange their revenue, that is, with labourers who draw their wages directly from revenue, not from capital.

> "Since the men to whom it" (the revenue) "belongs are idle, it is obvious that they do *not direct any Productive labour*. All these labourers whom they pay are intended only to procure some enjoyment for them. No doubt these enjoyments are of different kinds... The expenditure of all this class of men ... feeds a numerous population whose existence it makes possible, but one whose labour is completely sterile. ... Some of it may he more or less fruitful, as for example the construction of a house, the improvement of e landed estate; but these are particular cases when for the tine being they cause productive labour to be performed, Apart from these minor exceptions, the whole consumption of this species of capitalists is absolutely pure loss from the standpoint of reproduction, and an equally great diminution of the wealth that has been acquired" (p. 236).

<Real political economy *à la* Smith treats the capitalist only as personified capital, M—C—M, agent of production. But who is to consume the products? The labourers? —but they don't. The capitalist himself? Then he is acting as a big idle consumer and not as a capitalist. The owners of land and money rents? They do not reproduce their consumption, and thereby are of disservice to wealth, Nevertheless, there are also two correct aspects in this contradictory view, which regards the capitalist only as a real amasser of wealth, not an illusory one like the miser proper: (1) capital (and hence the capitalist, its personification) is treated only as an agent for the development of the

productive forces and of production; (2) it expresses the standpoint of emerging capitalist society, to which what matters is exchange-value, not use-value; wealth, not enjoyment. The enjoyment of wealth seems to it a superfluous luxury, until it itself learns to combine exploitation and consumption and to subordinate itself to the enjoyment of wealth.>

> "To find how these revenues" (on which the Idlers live) "have been formed it is always necessary to go back to the *industrial capitalists*"(p 237, note)

The *industrial capitalists*—the second sort of capitalists—

> "include all the entrepreneurs in any industry whatever, that Is to say, all the persons who, *having capitals*, ... employ their talent and their labour in turning them to account themselves instead of hiring them to others, and who consequently live neither on wages *nor* on revenues but on *profits*" (p. 237).

In Destutt it is quite clear —as with Adam Smith before him —that what on the surface is glorification of the productive labourer is in fact only glorification of the *industrial capitalist* in contrast to landlords and such moneyed capitalists as live only on their revenue.

> "They have ... in their hands almost all the wealth of society... It is not only the income from this wealth that they spend annually, but even the fund itself, and sometimes many times in the year, when the course of business is rapid enough to make this possible. For since in their capacity as industrialists they spend only in order that the money shall come back to them with a pro fit, the more they can do so on this condition, the greater their profits" (pp. 237-38).

As for their personal consumption, it is the same as that of the idle capitalists. But it is

> "in total moderate, because industrialists are usually unassuming" (p. 238). But it is different with their industrial consumption, it "is nothing less than final; it returns to them with profits" (l.c.). Their profit must be large enough not only for their "personal consumption, but also" for "the rents for the land and for the money which they hold from the idle capitalists" (p. 238).

Destutt is right on this. Rents of land and interest on money are only "*deductions*" from industrial profit, portions of the latter given by the industrial capitalist from his gross profit to landlords and moneyed capitalists.

> "The revenues of the rich idlers are only rents taken from industry; it is industry alone that creates them" (p. 248). The industrial capitalists "rent their" (that is, the idle capitalists') "land, their houses and their money, and they make use of them in such a way as to *draw profits* from them *hi g her than this rent*" [p. 237]. That is, the rent which they pay to the idlers, which therefore is only a part of this profit. This rent that they thus pay to the idlers is "the sole revenue of these idlers and the sole fund for their annual expenditures" (p. 238).

Up to here, all right. But how then does it stand with the *wage-labourers* (the productive labourers, who are employed by the industrial capitalists)?

> "These have no other treasure but their everyday labour. This labour obtains wages for them... But whence come these wages? It is clear that they come from the properties of those to whom the ||402| wage-labourers *sell their labour*, that is to say, from the funds which are in their possession beforehand, and which are *nothing but the accumulated products of labours previously performed.* It follows from this that the consumption paid for by this wealth is the consumption of the wage-labourers, in the sense that it is they whom it

> maintains, but at bottom it is *not they who pay it*. Or at least they only pay for it *with funds existing beforehand in the hands of those who employ them*. Their consumption should therefore be regarded as having been made by those who hire them. They only receive with one hand and return with the other,.,, It is therefore necessary to regard not only all that they" (the wage-labourers) "spend but even all that they receive as the real expenditure and *consumption of those who buy their labour*. That is so true that in order to see whether this consumption is more or less destructive of wealth that has been acquired, or even if it tends to increase it ... it is necessary to know *what use the capitalists make of the labour that they buy*" (pp. *234-35*).

Very well. And whence come the profits of the entrepreneurs which enable them to pay revenue to themselves and to the idle capitalists, etc.?

> "I will be asked how these industrial entrepreneurs can make such large profits, and whence they can draw them? I reply that *it is through their selling everything that they produce at a higher price than it has cost them to produce*" (p. 239).

And to whom do they sell everything at a higher price than it costs them?

> "They sell it,
>
> "1. to themselves, for the whole part of their consumption destined for the satisfaction of their needs, which they pay for with a portion of their profits;
>
> "2. to the wage-labourers, both those whom they pay and those paid by the idle capitalists; in this way *they take beck from these labourers the total amount of their wages*, apart from any small economies which these may be able to make;

> "3. to the idle capitalists, *who pay them with the part of their revenue* which they have not already given to the labourers directly employed by them, so that all the rent which they annually pay to the idle capitalists comes back to them in one or other of these ways" (p. 239).

Let us now have a look at these three categories of sales.

1. The industrial capitalists themselves consume *one part* of their product (or profit). They cannot possibly enrich themselves by swindling themselves and selling their products to themselves at a *dearer price* than they themselves have *paid* for them. Nor can any one of them swindle the others in this way. If A sells his product, which the industrial capitalist B consumes, at too dear a price, then B sells his product, which the industrial capitalist A consumes, at too dear a price. It is the same thing as if A and B had sold their products to each other at their real value. Category 1 shows us how the capitalists spend a part of their profit; it does not show us whence they draw the profit. In any case they make no profit by *selling "to one another*" "everything that they produce *at a higher price* than it has cost to produce ".

2. They can likewise draw no profit from the part of the product which they sell to their labourers *above the costs of production*, It is presupposed that the whole consumption of the labourers is in fact "the consumption of those who buy their labour ". Moreover Destutt rubs this in by remarking that the capitalists, by selling their products to the wage-labourers (their own and those of the idle capitalists), only "get back their total wages ". And in fact not even the total, but after deducting their economies. It is all the same whether they sell the products to them cheap or dear, since they always only get back what they have given them, and, as said above, the wage-labourers only "receive with one hand and return with the other". First the capitalist pays *money* to the

labourer as wages. Then he sells him his product "*too* dear", and by so doing draws the money back again. But as the labourer cannot pay back to the capitalist more money than he has received from him, so the capitalist can *never* sell his products to him *dearer* than he has *paid* him for his labour. He can always only get back from him as much money for the sale of his products as the money he has given him for his labour. Not a farthing more. How then can his money increase through this "circulation"?

||403| In addition to this, there is another absurdity in Destutt. Capitalist C pays the labourer L a weekly wage of £1, and then draws back the £1 for himself again by selling him commodities for £1. By this means, Tracy thinks, he has drawn back to himself the total of the wages paid. But first he gives the labourer £1. And then he gives him commodities for £1. So what in fact he has given him is £2: £1 in commodities and £1 in money. Of this £2, he takes back £1 in the form of money. Therefore in fact he has not drawn back a farthing of the £1 wage. And if he intended to enrich himself by this kind of "drawing back" the wages (instead of by the labourer giving him back in labour what he advanced to him in commodities), he would soon come to his senses.

Here, therefore, the noble Destutt confuses the circulation of money with the real circulation of commodities. Because the capitalist, instead of giving the labourer directly commodities to the value of £1, gives him £1, with which the labourer then decides as he likes which commodities he wants to buy, and returns to the capitalist in the form of money the draft he had given him on his merchandise—after he, the labourer, has appropriated his aliquot share of the merchandise—Destutt imagines that the capitalist "draws back" the wages, because the same piece of money flows back to him, And on the same page Monsieur Destutt remarks that the phenomenon of circulation is "little known" (p.

239). Totally unknown to himself, at any rate. If Destutt had not explained "the drawing back of the total wages" in this peculiar way, the nonsense might at least have been conceivable in a way we shall mention now.

(But before that, a further illustration of his sapience. If I go into a shop and the shopkeeper gives me £1 and I then use this £1 to buy commodities to the value of £1 in his shop, he then draws back the £1 again. No one will assert that he has enriched himself by this operation. Instead of £1 in money and £1 in commodities he now has only £1 in money left. Even if his commodity was only worth l0s. and he sold it to me for £1, in this case too he is 10s. poorer than he was before the sale, even though he has drawn back the whole of one pound sterling.)

If C, the capitalist, gives the labourer £1 wages, and afterwards sells him commodities to the value of 10s. for £1, he would certainly have made a profit of 10s. because he had sold the commodities to the labourer 10s. too dear. But from Monsieur Destutt's point of view even so it could not be understood how any profit from this transaction arises for C. (The profit arises from the fact that he has paid him less wages—in fact has given the labourer a smaller aliquot part of the product in exchange for his labour—than he gives him *nominally*.) If he gave the labourer 10s. and sold his commodity for *10s.*, he would be just as rich as if he gives him £1 and sells him his 10s. commodity for £1. Moreover, Destutt bases his argument on the assumption of necessary wages. In the best case any profit here would only be explained by the labourer having been cheated over his wages.

This case 2 therefore shows that Destutt has absolutely forgotten what a productive labourer is, and has not the slightest idea of the source of profit. At most it could be said that the capitalist makes a profit by raising the price of the products above their value, in so far as he sells them not to his own wage-labourers but to the wage-labourers

of idle capitalists. But since the consumption of unproductive labourers is in fact only a part of the consumption of idle capitalists, we come now to case 3.

3. The industrial capitalist sells his products "too dear", above their value, to the

> "idle capitalists, who pay them with the part of their revenue which they have not already given to the labourers directly employed by them, so that all the rent which they annually pay to the idle capitalists comes back to them" (the industrial capitalists) "in one or other of these ways".

Here again there is the childish conception of the rent, etc., coming back, as there was above of the drawing back of the whole of the wages. For example, C pays £100 rent for land and money to I (the idle capitalist). The £100 are means of payment for C. They are means of purchase for I, who with them draws £100 of commodities from C's warehouse. Thus the £100 return to C as the transformed form of his commodity. But he has £100 less in commodities than before. Instead of giving them direct to I, he has given him £100 in money, with which the latter buys £100 of his commodities. But he buys these £100 worth of commodities with C's money, not with his own funds. And Tracy imagines that in this way the rent which C has paid over to I comes back to C. What imbecility! First absurdity.

Secondly, Destutt himself has told us that rent of land and interest on money are only deductions from the industrial capitalist's profit, and therefore only quotas of profit given away to the idler. On the assumption that C drew back this whole quota ||404| to himself by some sort of trick, though not in one or other of the ways described by Tracy —in other words, that capitalist C paid no rent at all, neither to the landlord nor to the moneyed capitalist—lie would retain his *whole* profit, but the question is precisely how to explain *whence* he derived

the profit, how he has made it, how it arose. As this cannot be explained by his *having or retaining* it without giving a quota of it to landlord and moneyed capitalist, just as little can it be explained by the fact that either part or the whole of the quota of profit which he has given away to the idler under one category or another is entirely or partially, in one way or another, dragged back by him from the hand of the idler into his own hand again. Second absurdity!

Let us disregard these absurdities. C has to pay I —the idler—rent to the amount of £100 for the land or the capital that he has rented (loué) from him. He pays the £100 out of his profit (whence the latter arises we do not yet know). Then he sells his products to I, which are consumed either by I directly or through his retainers (the unproductive wage-labourers), and he sells them to him *too dear*, for example, 25 per cent above their value. He sells him products worth £80 for £100. In this transaction C undoubtedly makes a profit of £20. He has given I a draft for £100 worth of commodities. When the latter presents the draft, he gives his commodities only to the value of £80, by fixing the nominal price of his goods 25 per cent above their value. Even if I would be satisfied with consuming commodities worth £80 and paying £100 for them, C's profit could never rise above 25 per cent. The prices and the fraud would be repeated every year. But I wants to consume to the value of £100. If he is a landlord, what is he to do? He mortgages property to C for £25, in exchange for which C gives him commodities worth £20—for he sells his commodities at 25 per cent (one-quarter) above their value, If he is a money-lender, he hands over to C £25 of his capital, in exchange for which C gives him commodities worth £20.

Let us assume that the capital (or value of the land) was lent at 5 per cent. Then it amounted to £2,000. Now it amounts to only £1,975. His rents are now £98 $^{3}/_{4}$. And so it would go on, with I constantly consuming

commodities to the real value of £100, but his rents constantly falling, because in order to have commodities to the value of £100 he must always consume an ever greater part of his capital itself. Thus bit by bit C would get the whole of I's capital into his own hands, and the rents of it together with the capital—that is to say, along with the capital itself he would appropriate that portion of the profit which he makes from borrowed capital. Mr. Destutt evidently has this process in view, for he continues:

> "But, I will he told, if that is so and if industrial entrepreneurs in effect *reap each year more than they have sown*, in a very short time they must have attracted to themselves *the whole public fortune*, and soon there would be nothing left in a State but labourers without funds and capitalist entrepreneurs. *That is true*, and things would in fact be so if the entrepreneurs or their heirs did not take the course of resting as they grow wealthy, and did not thus continually go to recruit the class of idle capitalists; and even in spite of this frequent emigration, it still happens that when industry has been at work in a country for some time without too great disturbances, its capitals are always being augmented not only because of the growth of the total wealth, but also in a much greater proportion... It might be added this effect would he felt even more strongly but for the immense levies that all governments impose each year on the industrious class by means of taxes (pp. 240-41),

And Monsieur Destutt is quite right up to a certain point, although not at all in what he wants to explain. In the period of the declining Middle Ages and rising capitalist production the rapid enrichment of the industrial capitalists is in part to be explained by the direct fleecing of the landlords. As the value of money fell, as a result of the discoveries in America, the farmers paid them nominally, but not really, the old rent, while

the manufacturers sold them commodities above their value —not only on the basis of the higher value of money. Similarly in all countries, as for example the Asiatic, where the principal revenue of the country is in the hands of landlords, princes, etc., in the form of rent, the manufacturers, *few in number* and therefore not restricted by competition, sell them their commodities at monopoly prices, and in this way appropriate a part of their revenue; they enrich themselves ||405| not only by selling to them "unpaid" labour, but by selling the commodities at over the quantity of labour contained in them. Only Monsieur Destutt is again wrong if he believes that money-lenders let themselves be fleeced in this way. On the contrary, they share, through the high interest they draw, in those high profits, in that fleecing, directly and indirectly.

The following passage shows that this phenomenon was in Monsieur Destutt's mind:

> "One has only to see how weak they" (the industrial capitalists) "were throughout all Europe three or four centuries ago, in comparison with the immense wealth of all the powerful men of those days, and how today they have increased and grown in number, while the others have diminished" (l.c., p. 241).

What Monsieur Destutt wanted to explain to us was the *profits* and the *high profits* of industrial capital. He has explained it in two ways. First, because the *money* which these capitalists pay out in the form of wages and rents flows back to them again, since these wages and rents buy products from them. In fact, what this explains is only why they do not pay wages and rents *twice*, first in the form of money, and secondly in the form of commodities to the same amount in money. The second explanation is that they sell their commodities above their price, they sell them *too dear*, first to *themselves*, thus cheating themselves; secondly to

the labourers, thus again cheating themselves, as Monsieur Destutt tells us that the consumption of the wage-labourers "must be regarded as the consumption of those who pay them" (p. 235); finally, in the third place, to the *gentlemen living on rents*, whom they fleece, and this would in fact explain why the industrial capitalists always keep for themselves a larger part of their profit, instead of giving it away to the idlers. It would show why *the distribution of the total profit* between the industrial and non-industrial capitalists is increasingly to the advantage of the former at the cost of the latter. It would not help one iota to an understanding *of whence* this *total profit* comes. Let us assume that the industrial capitalists had got the whole of it for themselves, the question remains where does it come from?

Therefore Destutt has not only given no answer, but he has only revealed that he thinks the reflux of the money is a reflux of the commodity itself. This *reflux of money* means only that the capitalists first pay wages and rents in money, instead of paying them in commodities; that their commodities are bought with this money and hence they have paid in commodities in this roundabout way. This money therefore constantly flows back to them, but only to the extent that commodities to the same money value are definitively taken from them and fall to the share of the consumption of the wage-labourers and drawers of rent.

Monsieur Destutt (in a really French way—similar exclamations of astonishment about himself are to be found in Proudhon) is altogether astonished at the "clarity" which this

> "way of looking at the consumption of our wealth...sheds on the whole progress of society. Whence comes this consistency and this lucidity? From the fact that we have lighted upon the truth. This recalls the effect of

> those mirrors in which objects are outlined clearly and in their right proportions when one is in the right spot from which to view them, and in which everything appears confused and disjointed when one is too near or too far" (pp.242-43).

Later, quite incidentally, Monsieur Destutt recalls (from Adam Smith) the real course of things, which however in essence he only repeats as a phrase which he has not understood—as otherwise he (this Member of the Institute of France) would have been unable to shed the streams of light referred to above. Destutt writes (p. 246):

> "Whence come their revenues to these idle men? Is it not from the rent which those who *set their capitals to work* pay to them out of their *profits*, that is to say, those who use their funds *to pay labour which produces more than it costs*, in a word, the men of industry? "

<Aha! So the rents (and also their own profits) which the industrial capitalists pay to the idle capitalists for the funds borrowed from the latter come from their using these funds to pay wages to labour "which *produces more than it costs";* that is to say, therefore, whose product has more value than is paid *to* them —in other words, profit comes from what the wage-labourers produce over and above what they cost; a surplus-product which the industrial capitalist appropriates for himself, and of which he gives away only one part to those receiving rent from land and money.>

Monsieur Destutt concludes from this: not that we must go back to these productive labourers, but that we must go back to the capitalists who set them in motion.

> "It is these who really maintain even the labourers employed by the others" (p. 246).

To be sure; inasmuch as they directly exploit labour, and the idle capitalists only do it through their agency. And in this sense it is correct to regard industrial capital as the source of wealth. ||406|

> "We must therefore always go back to these" (the industrial capitalists) "in order to find the source of all wealth" (p. 246).

> "In the coarse of time, *wealth has accumulated in greater or less quantity, because the result of previous labours has not been entirely consumed as soon as produced.* Some of the possessors of this wealth are content to draw a rent from it and consume it. These are those whom we have called idle. The other more active ones set to work both their own funds and those which they borrow. They employ them *to pay labour which reproduces them with* a *profit."*< Hence, therefore, not only the reproduction of this fund, but [the production] of the surplus, which forms *profit*.> "With this profit they pay for their own consumption and defray that of others. By these consumptions themselves" (their own and that of the idlers? Here again the same absurdity) "their funds come back to them somewhat increased, and they start again. That is what constitutes circulation" (pp. 246-47).

The inquiry into the "productive labourer", and the result that only one whose buyer is an industrial capitalist is a productive labourer—one whose labour produces profit for its immediate buyer—led Monsieur Destutt to the conclusion that in fact *the industrial capitalists* are the *sole productive labourers* in the higher meaning of the word.

> "They" (the industrial capitalists) "who live on profits maintain all the others and alone augment the public fortune and create all our means of enjoyment. That must be so, b*ecause labour is the source of oil wealth* and because they alone give a *useful direction to current*

> *labour*, by making a *useful application of accumulated labour*" (p. 242).

That they give "a useful direction to current labour" in fact means only that they employ useful labour, labour which results in use-values. But that they make "useful application of accumulated labour" —if it is not to mean the same thing again, that they make industrial use of accumulated wealth for the production of use-values — means that they make "useful application of accumulated labour" by buying with it more current labour than is contained in it. In the passage just cited Destutt naïvely epitomises the contradictions which make up the essence of capitalist production. Because labour is the source of all wealth, capital is the source of all wealth; the actual propagator of wealth is not he who labours, but he who makes a profit out of another's labour. The productive powers of labour are the productive powers of capital.

> "Our faculties are our only original wealth; our labour produces all other wealth, and all labour, properly directed, is productive" (p. 243).

Hence, according to Destutt, it follows as a matter of course that the industrial capitalists "maintain all the others and alone augment the public fortune and create all our means of enjoyment".

Our faculties (*facultés*) are our only original wealth, therefore the faculty of labour is not wealth. Labour produces all other wealth, that means: it produces wealth for all others except for itself, and it itself is not wealth, but only its product is wealth. All properly directed labour is productive; that means: all productive labour, all labour which yields profit to the capitalist, is properly directed.

The following remarks of Destutt —which refer not to the *different classes of consumers*, but to the *different nature of the articles of consumption —are* a very good

paraphrase of Adam Smith's views in Book II, Chapter III, at the end of which he inquires into what kind of (unproductive) expenditure, that is to say, of individual consumption, consumption of revenue, is more or less advantageous. He opens this inquiry (Garnier, t. II, p. 345) with the words:

> "As frugality increases, and prodigality diminishes, the public capital, so the conduct of those whose expense just equals their revenue, without either accumulating or encroaching, neither increases nor diminishes it. Some modes of expense, however, seem to contribute more to the growth of public opulence than others" [*Wealth of Nations*, O.U.P, edition, Vol. I, pp. 387-88].

Destutt summarises Smith's exposition as follows:

> "If consumption is very different according to the kind of consumer, it varies also according to the nature of the things consumed. All indeed represent labour, but its value is fixed more securely in some than in others. As much trouble may have been taken in making a firework as in finding and cutting a diamond, and consequently one may have as much value as the other. But when I have bought, paid for and used both, at the end of half an hour I shall have nothing left of the first, and the second can still be a resource for my grandchildren a century later..,, It is the same with what ||4O7| are called" that is, (by Say) "immaterial products. *An invention is of eternal utility*. An intellectual work, a picture also have a utility that is more or less durable, while that of a ball, a concert, a play is instantaneous and disappears immediately. The same can be said of the *personal services* of doctors, lawyers, soldiers, domestic servants, and in general of all who are called *employed persons*. Their utility is that of the moment of need... The most ruinous consumption is the quickest, because it is that which destroys more labour in the same time, or an equal quantity of labour in less time; in comparison with it, consumption which is slower is a kind of *treasuring up*, since

> it leaves to times to come the enjoyment of part of the present sacrifices… Everyone knows that it is more economical to get, *for the same price*, a coat that will last three years than a similar one which will only last three months" (pp. 243-44).

[15. General Nature of the Polemics against Smith's Distinction between Productive and Unproductive Labour. Apologetic Conception of Unproductive Consumption as a Necessary Spur to Production]

Most of the writers who contested Smith's view of productive and unproductive labour regard *consumption* as a necessary spur to production. *For this reason* they regard the *wage-labourers* who live on revenue—the unproductive labourers whose hire does not produce wealth, but is itself a new consumption of wealth—as equally productive *even of material wealth* as the productive labourers, since they widen the field of material consumption and therewith the field of production. This was therefore for the most part apologetics from the standpoint of bourgeois economy, partly for the rich idlers and the "unproductive labourers" whose *services* they consume, partly for "strong governments" whose expenditure is heavy, for the increase of the State debts, for holders of church and State benefices, holders of sinecures, etc. For these

"unproductive labourers"—whose services figure in the expenses of the idle rich—all have in common the fact that although they *produce "immaterial products"*, they consume "*material products*", that is, products of the productive labourers.

Other economists, like Malthus, admit the distinction between productive labourers and unproductive, but prove to the industrial capitalist that the latter are as necessary to him as the former, even for the production of material wealth.

To say that production and consumption are identical or that consumption is the purpose of all production or that production is the pre-condition of all consumption, is of no help in this connection. What—apart from the tendentious purpose—is at the bottom of the whole dispute is rather this:

The labourer's consumption on the average is only equal to his costs of production, it is not equal to his output. He therefore produces the whole surplus for others, and so this whole part of his *production* is *production for others*. Moreover, the industrial capitalist who drives the labourer to this *overproduction* (that is, production over and above his own subsistence needs) and makes use of all expedients to increase it to the greatest extent possible—to increase this relative *overproduction* as distinct from the necessary production—directly appropriates the surplus-product for himself. But as personified capital he produces for the sake of production, he wants to accumulate wealth for the sake of the accumulation of wealth. In so far as he is a mere functionary of capital, that is, an agent of capitalist production, what matters to him is exchange-value and the increase of exchange-value, not use-value and its increase. What he is concerned with is the increase of abstract wealth, the rising appropriation of the labour of others. He is

dominated by the same absolute drive to enrich himself as the miser, except that he does not satisfy it in the illusory form of building up a treasure of gold and silver, but in the creation of capital, which is real production. If the labourer's overproduction is *production for others*, the production of the normal capitalist, of the industrial capitalist as he ought to be, is *production for the sake of production*. It is true that the more his wealth grows, the more he falls behind this ideal, and becomes extravagant, even if only to show off his wealth. But he is always enjoying wealth with a guilty conscience, with frugality and thrift at the back of his mind. In spite of all his prodigality he remains, like the miser, essentially avaricious.

When Sismondi says that the development of the productive powers of labour makes it possible for the labourer to obtain ever-increasing enjoyments, but that these very enjoyments, if put at his disposal, would make him unfit for labour (as a wagelabourer)*; it is equally true that the industrial capitalist becomes more or less unable to fulfill his function as soon as he personifies the enjoyment of wealth, as soon as he wants the accumulation of pleasures instead of the pleasure of accumulation.

He is therefore also a producer of *overproduction, production for others*. Over against this overproduction on one side must be placed overconsumption on the other, production for the sake of production must be confronted by consumption for the sake of consumption. What the industrial capitalist has to surrender to landlords, the State, creditors of the State, the church, and so forth, who only consume revenue, ||408| is an absolute diminution of his wealth, but it keeps his lust for enrichment going and thus preserves his capitalist soul. If the landlords, moneylenders, etc., were to consume their revenue also in productive instead of unproductive labour, the purpose

would not be achieved. They would become themselves industrial capitalists, instead of representing the function of consumption as such. With regard to this point we shall examine later an extremely comical dispute between a Ricardian and a Malthusian.

Production and consumption are *in their nature* [*an sich*] inseparable. From this it follows that since in the system of capitalist production they are in fact separated, their unity is restored through their opposition—that if A must produce for B, B must consume for A. Just as we find with every individual capitalist that he favours prodigality on the part of those who are co-partners with him in his revenue, so the older Mercantile system as a whole depends on the idea that a nation must be frugal as regards itself, but must produce luxuries for foreign nations to enjoy. The idea here is always: on the one side, production for production, therefore on the other side consumption of foreign production. This idea of the Mercantile system is expressed for example by Dr. Paley, *Moral Philosophy*, Vol. II, Ch.XI:

> "... A laborious, frugal people, ministering to the demands of an opulent, luxurious nation." [W. Paley, *Principles of Moral and Political Phylosophy*, Edinburgh, 1788, Vol. II, p. 359.]

> "They" (our politicians, Garnier, etc.) says Destutt, "put forward as a general principle that consumption is the cause of production, that therefore it is good for it to be very plentiful. They declare that it is this which constitutes a great difference between public economy and the economy of individuals" (l.c., pp. 249-50).

One more fine phrase:

> "*The poor nations* are those where the people are comfortably off; and *the rich nations*, those where the people are generally poor" (l.c., p. 231).

[16.] Henri Storch [Unhistorical Approach to the Problem of the Interaction between Material and Spiritual Production. Conception of "Immaterial Labour" Performed by the Ruling Class]

Henri Storch, *Cours d'économie politique*, etc., edited by Jean— Baptiste Say, Paris, 1823 (Lectures read to Grand Duke Nicholas, concluded in 1815), *Vol. III*.

After Garnier, Storch is in fact the first writer to polemise against Adam Smith's distinction between productive and unproductive labour on a new basis.

> He distinguishes the "*internal goods* or the elements of civilisation", with the laws of whose production the "Theory of Civilisation" has to concern itself, from material goods, component parts of material production (l.c., t. III, p. 217).

(On p age 136 of t. I [he says]: "It is evident that man only attains to the production of wealth in so far as he is endowed with internal goods, that is to say, in so far as he has developed his physical, intellectual and moral faculties, which implies the means for their development such as *social institutions*, etc. Thus the more civilised a

people, the more its national wealth can grow." The reverse is also true.)

Against Smith:

> "Smith…excludes from *productive labours* all those which do not contribute *directly* to the production of wealth: but also he only considers the national *wealth*." His error is "not to have distinguished *immaterial* values from *wealth*" (t. III, p. 218).

And that is really all there is to it. The distinction between productive labours and unproductive labours is of decisive importance for what Smith was considering: the production of material wealth, and in fact one definite form of that production, the capitalist mode of production. In spiritual production another kind of labour appears as productive. But Smith does not take it into consideration. Finally, the interaction and the inner connection between the two kinds of production also do not fall within the field be is considering; moreover, they can only lead to something more than empty phrases when material production is examined in its own form. In so far as he speaks of workers who are not directly productive, this is only to the extent that they participate *directly* in the consumption of material wealth but not in its production.

With Storch himself the *theory of civilisation* does not get beyond trivial phrases, although some ingenious observations slip in here and there—for example, that the material division of labour is the pre-condition for the division of intellectual labour. How much it *was inevitable* that Storch could not get beyond trivial phrases, how little he had even *formulated* for himself the task, let alone its solution, is apparent from one *single* circumstance. In order to examine the connection between spiritual ||409| production and material production it is above all necessary to grasp the

latter itself not as a general category but in *definite historical* form. Thus for example different kinds of spiritual production correspond to the capitalist mode of production and to the mode of production of the Middle Ages. If material production itself is not conceived in its *specific historical* form, it is impossible to understand what is specific in the spiritual production corresponding to it and the reciprocal influence of one on the other. Otherwise one cannot get beyond inanities. This because of the talk about "civilisation".

Further: from the specific form of material production arises in the first place a specific structure of society, in the second place a specific relation of men to nature. Their State and their spiritual outlook is determined by both. Therefore also the kind of their spiritual production.

Finally, by spiritual production Storch means also all kinds of professional activities of the ruling class, who carry out social functions as a trade. The existence of these strata, like the function they perform, can only be understood from the specific historical structure of their production relations.

Because Storch does not conceive material production itself *historically*—because he conceives it as production of material goods in general, not as a definite historically developed and specific form of this production—he deprives himself of the basis on which alone can be understood partly the ideological component parts of the ruling class, partly the free spiritual production of this particular social formation. He cannot get beyond meaningless general phrases. Consequently, the relation is not so simple as he presupposes. For instance, capitalist production is hostile to certain branches of spiritual production, for example, art and poetry. If this is left out of account, it opens the way to the illusion of the French in the eighteenth century which has been so

beautifully satirised by Lessing. Because we are further ahead than the ancients in mechanics, etc., why shouldn't we be able to make an epic too? And the *Henriade* in place of the *Iliad!*

Storch, however, rightly stresses—with special reference to Garnier, who was actually the father of *this* attack on Smith —that Smith's opponents had set about it the wrong way.

> "What do his critics do? Far from establishing this distinction" (between immaterial values and wealth), "they succeed in confusing two kinds of value that are so evidently different."

(They assert that the production of spiritual products or the production of services is *material* production.)

> "In regarding immaterial labour as *productive*, they assume it is *productive of wealth*" (that is, directly), "that is to say, of material and exchangeable values, while it produces only immaterial and immediate values: they assume that the products of immaterial labour are subject to the same laws as those of material labour: and yet the former are governed by other principles than the latter" (t, III, p. 218).

The following passages from Storch are to be noted as having been copied from him by later authors:

> "From the fact that internal goods are in part the product of services. the conclusion has been drawn that they are no more lasting than the services themselves, and that they were necessarily consumed as they were produced" (l.c., t. III, p. 234). "The original" [internal] "goods, far from being destroyed by the use made of them, expand and grow with use, so that even the *consumption* of them augments their value" (l.c., p. 236). "Internal goods are susceptible of being accumulated like wealth, and of forming capitals that can be used in

> reproduction", etc. (l.c., p. 236). "Material labour must be divided up and its products must be accumulated before the dividing up of immaterial labour can be thought of" (p. 241).

These are nothing but general superficial analogies and relations between spiritual and material wealth. So for example is his observation that undeveloped nations *borrow* their spiritual capitals from abroad, just as materially undeveloped nations borrow their material capitals (l.c., p. 306); and that the division of immaterial labour depends on the demand for it, in a word, on the market, etc. (p. 246).

Here are the passages which have actually been copied:

> ||410| "The *production* of internal goods, far from diminishing the national wealth by the consumption of material products it requires, is on the contrary a powerful means of increasing it; as the production of wealth, in its turn, is an equally powerful means of increasing civilisation" (l.c., p. 517). "It is the equilibrium of the two kinds of production that causes the advance of national prosperity" (l.c., p. 521).

According to Storch, the physician produces health (but also illness), professors and writers produce enlightenment (but also obscurantism), poets, painters, etc., produce good taste (but also had taste), moralists, etc., produce morals, preachers religion, the sovereign's labour security, and so on (pp. 347-50). It can just as well be said that illness produces physicians, stupidity produces professors and writers, lack of taste poets and painters, immorality moralists, superstition preachers and general insecurity produces the sovereign. This way of saying in fact that all these activities, these services, produce a real or imaginary use-value is repeated by later writers in order to prove that they are productive workers in Smith's sense, that is to say, that they directly produce not products *suigeneris*[*] but products of material labour

and consequently immediate wealth. In Storch there is not yet this nonsense, which for that matter can be reduced to the following:

1. that the various functions in bourgeois society mutually presuppose each other;

2. that the contradictions in material production make necessary a superstructure of ideological strata, whose activity— whether good or bad—is good, because it is necessary;

3. that all functions are in the service of the capitalist, and work out to his "benefit";

4. that even the most sublime spiritual productions should merely be granted recognition, and *apologies* for them made to the bourgeoisie, that they are presented as, and falsely proved to be, direct producers of material wealth.

[17.] Nassau Senior [Proclamation of All Functions Useful to the Bourgeoisie as Productive. Toadyism to the Bourgeoisie and the Bourgeois State]

Nassau William Senior, *Principes fondamentaux de 1'économie politique*, traduit par Jean Arrivabene, Paris, 1836. Nassau Senior mounts his high horse:

> "According to Smith, the lawgiver of the Hebrews was an unproductive labourer" (l.c., p. 198).

Was it Moses of Egypt or Moses Mendelssohn? Moses would have been very grateful to Mr. Senior for calling him a "productive labourer" in the Smithian sense. These people are so dominated by their fixed bourgeois ideas that they would think they were insulting Aristotle or Julius Caesar if they called them "unproductive labourers". Aristotle and Caesar would have regarded even the title "labourers" as an insult.

> "Does not the doctor who, by a prescription, heals a sick child and thus assures him many years of life, *produce* a durable result?" (l.c.)

Rubbish! If the child dies, the result is no less durable. And if the child is no better after treatment, the doctor's *service* has to be paid for just the same. According to Nassau doctors should only be paid in so far as they cure, and lawyers in so far as they win lawsuits, and soldiers in so far as they are victorious. But now he gets really lofty:

> "Did the Dutch produce temporary results by fighting against the tyranny of the Spaniards, or the English by revolting against a tyranny that threatened to be even more terrible?" (l.c., p. 198).

Belletristic trash! Dutch and English revolted at their own cost. No one paid them for labouring "in revolution". But with either productive or unproductive labourers there is always a buyer and seller of labour. Hence what rubbish!

These insipid literary flourishes used by these fellows when they polemise against Smith show only that they are representatives of the "educated capitalist", while Smith was the *interpreter* of the frankly brutal bourgeois upstart. The educated bourgeois and his mouthpiece are

both so stupid that they measure the effect of every activity by its ||411| effect on the purse. On the other hand, they are so educated that they *grant recognition* even to functions and activities that have nothing to do with the production of wealth; and indeed they grant them recognition because they too "indirectly" increase, etc., their wealth, in a word, fulfill a "useful" function for wealth.

Man himself is the basis of his material production, as of any other production that he carries on. All circumstances, therefore, which affect man, the *subject* of production, more or less modify all his functions and activities, and therefore too his functions and activities as the creator of material wealth, of commodities. In this respect it can in fact be shown that *all* human relations and functions, however and in whatever form they may appear, influence material production and have a more or less decisive influence on it.

> "There are countries where it is quite impossible for people to work the land unless there are soldiers to protect them. Well, according to Smith's classification, the harvest is not produced by the joint labour of the man who guides the plough and of the man at his side with arms in hand: according to him, the ploughman alone is a productive worker, and the soldier's activity is unproductive" (l.c., p. 202).

First, that is not true. Smith would say that the soldier's protective care is productive of defence, but not of the corn. If order was restored in the country, the ploughman would produce the corn just as before, without being compelled to produce the maintenance, and therefore the life, of the soldiers into the bargain. The soldier belongs to the incidental expenses of production, in the same way as a large part of the unproductive labourers who produce nothing themselves, either spiritual or material, but who

are useful and necessary only because of the faulty social relations—they owe their existence to social evils.

However, Nassau might say: if a machine is invented that makes nineteen out of twenty labourers superfluous, then these nineteen too are incidental expenses of production. But the soldier can drop out although the *material conditions of production*, the conditions of agriculture as such, remain unchanged. The nineteen labourers can only drop out if the labour of the one remaining labourer becomes twenty times more productive, that is to say, only through a revolution in the actual material conditions of production. Moreover, *Buchanan* already observes:

> "If the soldier, for example, be termed a productive labourer because his labour is subservient to production, the productive labourer might, by the same rule, lay claim to military honours; as it is certain that without his assistance no army could ever take the field to fight battles or to gain victories" (David Buchanan, *Observations on the Subjects Treated of in Dr. Smith's Inquiry, etc.*, Edinburgh, 1814, p. 132).

> "The wealth of a nation does not depend on a numerical proportion between those who produce *services* and those who produce *values*, but on the proportion between them that is most fitted to render the labour of each more efficacious" (Senior, l.c., p. 204).

Smith never denied this, as he wants to reduce the "necessary unproductive labourers like State officials, lawyers, priests, etc., to the *extent* in which their services are indispensable. And this is in any case the "proportion" in which they make the labour of productive labourers most efficacious. As for the other "unproductive labourers", whose labours are only bought *voluntarily* by anyone in order to enjoy their *services*, that is, as an article of consumption of his

own choice, different cases must be distinguished. If the number of these labourers living on revenue is large in proportion to the "productive" labourers, it is, *either*, because the total wealth is small or is of a one-sided character—for example the medieval barons with their retainers. Instead of consuming manufactured goods on any considerable scale, they and their retainers consumed their agricultural products. When instead of these products they began to consume manufactured goods, the retainers had to be set to labour. The number of those living on revenue was only large because a large part of the annual product was not *reproductively* consumed. Along with this, the total population was small. *Or*, the number of those living on revenue is large, because the productivity of the productive labourers is large, and therefore their surplus-produce upon which the retainers feed. In this case the labour of the productive labourers is not productive because there are so many retainers, but on the contrary—there are so many retainers because the labour of the productive labourers is so productive.

Taking two countries with equal populations and an equal development of the productive powers of labour, it would always be true to say, with Adam Smith, that the wealth of the two countries must be measured according to the proportion of productive and of unproductive labourers. For that means only that in the country which has a relatively greater number of productive labourers, a relatively greater amount of the annual revenue is reproductively consumed, and consequently a greater mass of values is produced annually. Therefore Mr. Senior has only paraphrased a statement of ||412| Adam's, instead of counterposing it with a novelty. Moreover, he himself here makes the distinction between the producers of services and the producers of values, and so it is the same with him as with most of those who polemise against the Smithian distinction —

they accept and themselves use this distinction, at the same time as they reject it.

It is characteristic that all "unproductive" economists, who achieve nothing in their own speciality, [come out] against the distinction between productive labour and unproductive labour. However, in relation to the bourgeois, it is on the one hand an expression of their servility that they present all functions as serving the production of wealth for him; then on the other hand, they present the bourgeois world as the best of all possible worlds, in which everything is useful, and the bourgeois himself is so educated that he understands this.

In relation to the labourers, [what it expresses is:] it is quite all right that the unproductive ones consume the great mass [of products], since they contribute just as much as the labourers to the production of wealth even though in their own way.

Finally however Nassau blurts out, showing that he has not understood one word of the essential distinction made by Smith:

> "It seems, in truth, that in this case Smith's attention was entirely absorbed by the position of the *great landowners*, the only ones to whom his observations on the unproductive classes can in general be applied. I do not know how otherwise to account for his supposition *that capital is only employed to maintain productive labourers, while unproductive labourers live from revenue*, The greater number of those whom be calls preeminently unproductive—teachers, and those who govern the State—are maintained *at the expense of capital*, that is to say, *by means of what is spent in advance for reproduction*" (l.c., pp. 204-05).

This, in fact, is past all understanding. Mr. Nassau's discovery that State and schoolmasters live at the cost of

capital and not at the cost of revenue needs no further commentary. Does Mr. Senior mean by it that they live on profit from capital, and in this sense at the expense of capital? If so, he only forgets that revenue from capital is not capital itself, and that this revenue, the result of capitalist production, is not spent in advance for reproduction, of which on the contrary it is the result. Or does he mean that it is so because certain taxes enter into the production costs of particular commodities? That is, enter into the expenses of certain branches of production? Then he should know that this is only a form of levying taxes on revenue.

With reference to Storch Nassau Senior, the sophist, also remarks:

> "Mr. Storch is doubtless in error when he expressly asserts that these *results*" (health, good taste, etc.) "like other things which have value, form part of the *revenue* of those who possess them, and that they are also exchangeable" (that is, in so far as they can be bought from their produces). "If this was so, if good taste, morality, religion, were really *things* which could be *bought*, wealth would have an importance very different from that given to it by the economists. What we buy is not health, knowledge or piety. The doctor, the priest, the teacher...can only produce the instruments by means of which with greater or less certainty and perfection, these ulterior results will be produced... If in each particular case the most suitable means to obtain success have been employed, the producer of these *means* has a right to a reward, even when he has not succeeded or when he has not produced the results expected. The exchange is completed as soon as the advice or the lesson has been given and the payment for it has been received" (l.c., pp. 288-89).

Finally, the great Nassau himself adopts the Smithian distinction. For in fact he distinguishes between "productive consumption and unproductive

consumption" (p. 206) instead of between productive and unproductive labour. But the object of consumption is either a commodity—which is not referred to here —or direct labour.

Consumption would be productive if it employed labour that either produced labour-power itself (which for example the schoolmaster's or the physician's labour might do) or *reproduced* the value of the commodities with which it was bought. The consumption of labour which accomplished neither the one nor the other of these would be unproductive. And indeed Smith says: the labour which can only be consumed productively (i.e., industrially) I call productive labour, and that which can be consumed unproductively, whose consumption is by its nature not industrial consumption, I call unproductive labour. Mr. Senior has therefore proved his genius by giving things new names.

In general, Nassau copies from Storch.

[18.] Pellegrino Rossi [Disregard of the Social Form of Economic Phenomena. Vulgar Conception of "Labour-saving" by Unproductive Labourers]

||413| Pellegrino Rossi, Cours d'économie politique (année 1836 to 1837), édit. Bruxelles, 1842.

Here is wisdom!

> "*The indirect means*" (of production) "include everything that furthers production, everything which tends to remove an obstacle, to make production more active, more speedy, easier." (Earlier, p. 268, be says: "There are direct and indirect means of production. That is to say, there are means which are a cause *sine qua non* of the effect in question, forces which *make* this production. There are others which contribute to production, but do not make it. The former can act even *by themselves*, the latter can only help the former to produce.") ".., The whole labour of government is an indirect means of production, ... The man who has made this hat must surely recognise that the gendarme who goes by in the street, the judge who sits in his court, the gaoler who takes over a criminal and keeps him in prison, the army which defends the frontier against enemy invasions, contribute to production" (p. 272).

What a pleasure it must be for the hatter, that everyone gets moving so that he can produce and sell this hat! Inasmuch as he makes these gaolers, etc., contribute *indirectly*, not *directly*, to material production, Rossi in fact makes the same distinction as Adam (lecture XII).

In the following lecture XIII, Rossi takes the field particularly against Smith —indeed rather [the same as] his predecessors.

The erroneous distinction between productive labourers and unproductive labourers, he says, arises for three reasons.

> 1. "Among the *buyers*, some buy products or *labour for their own direct consumption;* others only buy them in order to sell the new products that they obtain by means of the products and the labour that they have acquired."

The determining factor for the former is the *use-value;* for the latter, the exchange-value. But in paying attention only to exchange-value, one falls into Smith's error.

> "My servant's labour is unproductive for me: let us admit that for a moment; is it unproductive for him?" (l.c., pp. 275-76).

As all capitalist production rests on the direct purchase of labour in order to appropriate a part of it *without purchase* in the process of production; which part however is *sold* in the product—since this is the basis of existence of capital, its very essence —is not the distinction between labour which produces capital and that which does not produce it the basis for an understanding of the process of capitalist production? Smith does not deny that the servant's labour is productive for *him*. Every service is productive for its seller. To swear false oaths is productive for the person who does it for cash. Forging documents is productive for anyone paid to do it. A murder is productive for a man who gets paid for doing it. The trade of sycophant, informer, toady, parasite, lickspittle, is productive for people who do not perform these "services" gratis. Hence they are "productive labourers", producers not only of wealth but of capital. The thief, too, who pays himself—just as the law-courts and the State do — "employs his energy, uses it in a particular way, produces a result which satisfies a human need", i.e., the need of the thief and perhaps also that of his wife and children. Consequently [he is a] productive labourer if it is merely a question of producing a "result" which satisfies a "need", or as in the cases mentioned above, if selling his "services" is enough to make them "productive".

> 2. "A second error has been not to distinguish between direct production and indirect production." That is why Adam Smith

> thinks that a magistrate is not productive. But "if production is almost impossible" (without the magistrate's labour) "is it not clear that this labour contributes to it, if not by direct and material co-operation, at least by an indirect action which cannot be left out of account?" (l.c., p. 276).

It is precisely this labour which participates indirectly in production (and it forms only a part of unproductive labour) that we call unproductive labour. Otherwise we would have to say that since the magistrate is absolutely unable to live without the peasant, therefore the peasant is an indirect producer of justice! And so on. Utter nonsense! There is yet another point of view hearing on the division of labour, with which we shall deal later.

> [3.] "The three principal facts of the phenomenon of production have not been carefully distinguished: the *force or productive means*, the *application* of this force, the *result*."

We buy a clock at a clockmarker's; we are only interested in the *result* of the labour. The same applies when we buy a coat at the tailor's. But:

> "There are still people, men of the old school, who do not understand things in this way. They make a workman come to their home and get him to make such-and-such a piece of clothing, giving him the material and everything he needs for this labour. What is it that these people buy? They buy a force" <hut also an application of this force>, "a means to produce results of some kind at their peril and risk... The object of the contract is the purchase of a force."

(The point here is only that these "men of the old school" make use of a mode of production that has nothing in common with the capitalist mode, and in which all development of labour's productive powers, such as capitalist production brings with it, is

impossible. It is characteristic that for Rossi and all the rest of them such a specific distinction is inessential.)

In the case of a servant, "you buy a force", capable of doing "a thousand different things. The results it produces depend on the use that you make of the force" (p. 276).

All this has nothing to do with the matter.

> ||414| "To buy or to hire...a definite application of this force ....You do not buy a product, you do not buy the result that you have in view." Will the lawyer's pleading win your case? Who knows? "What is certain. what passes between you and your lawyer, is that, for a certain value, he will go on a certain day to a certain place to speak on your behalf, to apply his intellectual powers in your interests" (p. 276).

<One further point on this. In lecture XII, p. 273, Rossi says:

> "I am far from seeing producers only in those who pass their hives in making cotton cloth or shoes. I honour labour, whatever it may be...but this respect should not be the exclusive privilege of the *manual labourer*."

Adam Smith does not do this. For him, a person who produces a book, a painting, a musical composition or a statue, is a "productive labourer" in the second sense, although the person who improvises, recites, plays a musical instrument, etc., is not. And Adam Smith treats services, in so far as they directly enter into production, as materialised in the product, both the labour of the manual labourer and that of the manager, clerk, engineer, and even of the scientist in so far as he is an inventor, an indoor or outdoor labourer for the workshop. In dealing with the division of labour, Smith explains how these operations are distributed among different persons; and that the product, the commodity, is the result of their co-

operative labour, not of the labour of any individual among them. But the "spiritual" labourers *à la* Rossi are anxious to justify the large share which they draw out of material production.>

After this discourse, Rossi continues:

> "Thus in exchange transactions attention is fixed on one or other of the three principal facts of production. But can *these different forms of exchange* deprive certain *products* of the character of *wealth* and deprive the *exertions of a class of producers of the quality of being productive labours?* Clearly, there is no link between these ideas such as would justify a deduction of this kind. Because instead of buying the result, I buy the force necessary to produce it, why *should the action of the force not be productive* and *the product not be wealth?* Take again the example of the tailor. Whether one buys ready-made clothes from a tailor, or whether one gets them from a jobbing tailor who has been given the material and a wage, as far as the results are concerned the two actions are perfectly similar. No one will say that the former is a *productive labour* and the latter an *unproductive labour;* only in the second case the man *who wants a coat* has been his *own entrepreneur*. Well, from the standpoint of productive forces what difference is there between the jobbing tailor you have brought to your home and your domestic servant? None" (l.c., p. 277).

Here we have the quintessence of the whole superwise and would-be profound windbag! When Adam Smith, in his second and more superficial presentation, distinguishes between productive and unproductive labour, according to whether it is or is not directly realised in a vendible commodity for the buyer of the labour, he calls the tailor productive in both cases. But according to his more profound definition the latter is an

"unproductive" labourer. Rossi only shows that he "evidently" does not understand Adam Smith.

That the "*forms of exchange*" seem to Rossi to be a matter of complete indifference is just as if a physiologist said that the different forms of life are a matter of complete indifference, that they are all only forms of organic matter. It is precisely these forms that are alone of importance when the question is the specific character of a mode of social production. A coat is a coat. But have it made in the first form of exchange, and you have capitalist production and modern bourgeois society; in the second, and you have a form of handicraft which is compatible even with Asiatic relations or those of the Middle Ages, etc. And these *forms* are decisive for material wealth itself.

A coat is a coat—that is Rossi's wisdom. But in the first case the jobbing tailor produces not only a coat, he produces capital; therefore also profit; he produces his master as a capitalist and himself as a wage-labourer. When I have a coat made for me at home by a jobbing tailor, for me to wear, that no more makes me my own *entrepreneur* (in the sense of an economic category) than it makes the *entrepreneur tailor* an entrepreneur when ||415| he himself wears and consumes a coat made by his workmen. In one case the purchaser of tailoring labour and the jobbing tailor confront each other as mere buyers and sellers. One pays money and the other supplies the commodity into whose use-value my money is transformed. In this transaction there is no difference at all from my buying the coat in a shop. Buyer and seller confront each other simply as such. In the other case, on the contrary, they confront each other as capital and wage-labour. As for the domestic servant, he has the same determinate form as the jobbing tailor No. II, whom I buy for the sake of the use-value of his labour. Both are simply buyers and sellers. But the way in which the use-value is enjoyed in this case in addition bears a patriarchal

form of relation, a relation of master and servant, which modifies the relation in its content, though not in its economic form, and makes it distasteful.

For that matter Rossi only repeats in other phrases what Garnier said:

> "When Smith wrote that nothing remained of the servant's labour, he was mistaken, to a greater extent, we must say, than an Adam Smith should be mistaken. A manufacturer manages himself a larger manufactory which requires very active and very assiduous supervision... This man, not wanting to have unproductive labourers around him, has no servants, He is then compelled to *serve himself*... What becomes of his productive labour during the time that he has to devote to this so-called unproductive labour? Is it not evident that your serving people perform a labour which enables you to apply yourself to a labour more appropriate to your abilities? Then how can it be said that no trace remains of their services? There remains everything that you do and that you could not have done if they had not replaced you in the service of your person and your home" (l.c., p. 277).

This is once more the *labour-saving* idea of Garnier, Lauderdale and Ganilh. According to this, unproductive labours would only be productive in so far as they save labour and leave more time for a person's own labour, whether he is an industrial capitalist or a productive labourer, who can perform a more valuable labour through this replacement by a less valuable labour. A large part of the unproductive labourers who would be excluded by this are menial servants (in so far as they provide only luxury articles), and all unproductive labourers who produce merely enjoyment and whose labour I can only enjoy in so far as I *use just as much time to enjoy it* as its *seller uses to produce it*, to provide it for me. In both cases there can be no talk of "saving"

labour. Finally, even really labour-saving personal services would only be productive in so far as their consumer is a producer. If he is an idle capitalist, they only save him the labour of doing anything at all: like a slut having her hair curled or her nails cut instead of doing it herself, or a foxhunter employing a stable-lad instead of being his own stable-lad, or someone who is just a glutton keeping a cook instead of cooking for himself.

Then these labourers would include too those who, according to Storch (l.c.), produce "*leisure*", through which a man gets free time for pleasure, spiritual labour, and so on. The police-man saves me the time of being my own gendarme, the soldier of defending myself, the government official of governing myself, the shoe cleaner of cleaning my shoes myself, the priest the time required for thinking, and so on.

What is correct in this matter is—*the division of labour*. Everyone, apart from his productive labour or the exploitation of productive labour, would have a number of functions to fulfill which would not be productive and would in part enter into the costs of consumption. (The real productive labourers have to bear these consumption costs themselves and to perform their unproductive labour themselves.) If these "services" are pleasant, then sometimes the master performs them for the servant, as the *jus primae noctis*[*] shows, or as is shown by the labour of ruling, etc., which the masters have always taken on themselves. This in no way obliterates the distinction between productive and unproductive labour, but this distinction itself appears as a result of the *division of labour* and thus furthers the general productivity of the labourers by making unproductive labour the exclusive function of one section of labourers and productive labour the exclusive function of another section.

But even the *labour* of a number of menial servants for mere show, to satisfy vanity, "is not unproductive". Why? Because it produces *something*, the satisfaction of vanity, ostentation, the exhibition of wealth (l.c., p.277). Here once again we meet the nonsense that every kind of services produces something —the courtesan sensual pleasure, the murderer homicide, etc. Moreover Smith said that every form of this trash has its *value*. All that is missing ||416| is that these services are rendered gratis. That is not the point in question. But even if they are rendered gratis, they will not increase (material) wealth by a single farthing.

Then the belletristic piffle:

> "The singer (they claim), when he has finished singing, leaves us nothing—He leaves us a memory!" (Very fine!) "When you have drunk champagne, what remains?...Whether the consumption does or does not follow closely on the act of production, whether it takes place more or less rapidly, will bring about different economic results, but the fact of consumption, of whatever kind it may be, cannot deprive the product of its character as wealth. There are immaterial products which are of greater durability than certain material products. A palace lasts a long time, but the *Iliad* is a source of even more durable pleasures" (pp. 277-78).

What bosh!

In the sense in which he is here speaking of wealth, as use-value, it is precisely *consumption*, whether slow or rapid (its length depends on its own nature and on the nature of the object), and only consumption, that makes the product wealth at all. Use-value has only value for use, and its existence for use is only existence as an object for consumption, its existence is in consumption. Drinking champagne, although this may produce a "hangover", is as little productive consumption

as listening to music, although this may leave behind "a memory". If the music is good and if the listener understands music, the consumption of music is more sublime than the consumption of champagne, although the production of the latter is a "productive labour" and the production of the former is not.

If we consider all the twaddle against Smith's distinction between productive and unproductive labour, we find that Garnier, and perhaps also Lauderdale and Ganilh (though the latter said nothing new), exhausted [these polemics]. Those who came later (apart from Storch's unsuccessful effort) [produced] merely pretentious literary arguments, learned prattle. Garnier is the economist of the Directory and the Consulate, Ferrier and Ganilh are the economists of the Empire. On the other hand Lauderdale, the Earl, was far more concerned *to make apologies*] *or consumers by presenting them as the producers of "unproductive labour*". The *glorification of* servility and flunkeyism, of tax-gatherers and parasites, runs through the lot of them. Compared with these, the rough cynical character of classical economy stands out as a critique of existing conditions.

[19. Apologia for the Prodigality of the Rich by the Malthusian Chalmers]

One of the most fanatic Malthusians is the *Reverend Thomas Chalmers*, who thinks that the only means for curing all social ills is the religious education of the labouring class (by which he means ramming down their throats the Malthusian population theory with edifying Christian priestly trimmings); at the same time he is a

great defender of all abuses, of wasteful expenditure by the State, of fat livings for the clergy and of wild extravagance on the part of the rich. He laments (p. 260 sqq.) the spirit of the time, the "hard and hunger-bitten economy"; and he wants heavy taxes, a good deal to eat for the "higher" and unproductive workers, clergymen and so on (l.c.). Naturally, he blusters about the Smithian distinction. He devoted a whole chapter to it (Chapter XI) which contains nothing new except that parsimony, etc., only harms "the productive labourers", but whose tendency is exemplified in the following summing up: This "distinction seems to be nugatory [...I; and withal, mischievous in application" (l.c., p. 344). And in what does this mischief consist?

> "We have entered at so much length into this argument, because we think *the political economy of our days bears a hard and hostile aspect towards an ecclesiastical establishment;* and we have no doubt, that to this, *the hurtful definition*[*] *of Smith* has largely [...] contributed" (Thomas Chalmers, Professor of Divinity, *On Political Economy, in Connexion with the Moral State and Moral Prospects of Society*, 2nd ed., London, 1832, p. 346).

By the "ecclesiastical establishment" the cleric means his own church, the Church of England as by law "established". Moreover he was one of the fellows who had fostered this "Establishment" upon Ireland. The parson is at least plain spoken.

[20. Concluding Observations on Adam Smith

and His Views on Productive and Unproductive Labour]

||417| Before we finish with Adam Smith, we will cite two further passages, the first, in which he gives vent to his hatred of the unproductive government; the second, in which he aims to explain why the advance of industry, etc., presupposes free labour. Concerning *Smith's hatred of the clergy*.

The first passage runs:

> "it is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and with out any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the State, that of their subjects never will" ([*Wealth of Nations*], t, II, l. II, ch. III, ed. McCulloch, p. 122).

And once more the following passage —*

> "The labour of some of the most respectable orders in the** society is, like that of *mental servants, unproductive of any value*," <it has value, and therefore costs an equivalent, but it produces no value> "and does not fix or realise itself in any permanent subject, or vendible commodity. ... The sovereign, for example, with all the officers both of justice and war who serve*** under him, the whole army and navy, are *unproductive labourers*. They are the *servants* of the public, and are maintained by a part of the annual produce of the *industry of other people*... In the *same class* must be ranked...churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons,

musicians, opera-singers, opera-dancers, etc." (l.c., pp. 94-95).

This is the language of the still revolutionary bourgeoisie, which has not yet subjected to itself the whole of Society, the State, etc. All these illustrious and time-honoured occupations— sovereign, judge, officer, priest, etc., —with all the old ideological professions to which they give rise, their men of letters, their teachers and priests, are *from an economic standpoint* put on the same level as the swarm of their own lackeys and jesters maintained by the bourgeoisie and by idle wealth—the landed nobility and idle capitalists. They are mere *servants* of the public, just as the others are their servants. They live on the produce of *other* people's *industry*, therefore they must be reduced to the smallest possible number. State, church, etc., are only justified in so far as they are committees to superintend or administer the common interests of the productive bourgeoisie; and their costs —since by their nature these costs belong to the overhead costs of production—must be reduced to the unavoidable minimum. This view is of historical interest in sharp contrast partly to the standpoint of antiquity, when material productive labour bore the stigma of slavery and was regarded merely as a pedestal for the idle citizen, and partly to the standpoint of the absolute or aristocratic-constitutional monarchy which arose from the disintegration of the Middle Ages—as Montesquieu, still captive to these ideas, so naïvely expressed them in the following passage (*Esprit des lois*, l. VII, ch. IV): "If the rich do not spend much, the poor will perish of hunger".

When on the other hand the bourgeoisie has won the battle, and has partly itself taken over the State, partly made a compromise with its former possessors; and has likewise given recognition to the ideological professions as flesh of its flesh and everywhere transformed them into its functionaries, of like nature to itself; when it itself no

longer confronts these as the representative of productive labour, but when the real productive labourers rise against it and moreover tell it that it lives on other people's industry; when it is enlightened enough not to be entirely absorbed in production, but to want also to consume "in an enlightened way"; when the spiritual labours themselves are more and more performed in its *service* and enter into the service of capitalist production—then things take a new turn, and the bourgeoisie tries to justify "economically", from its own standpoint, what at an earlier stage it had criticised and fought against. Its spokesmen and conscience-salvers in this line are the Garniers, etc. In addition to this, these economists, who them-selves are priests, professors, etc., are eager to prove their "productive" usefulness, to justify their wages "economically".

||418| The second passage, referring to slavery, runs:

> "Such occupations" (as artificer and manufacturer) "were considered" (in several of the ancient states) "as fit only for slaves, and the free citizens of the State were prohibited from exercising them. Even in those States where no such prohibition took place, as in Rome and Athens, the great body of the people were in effect excluded from all the trades which are now commonly exercised by the lower sort of the inhabitants of towns. Such trades were, at Athens and Rome., all occupied by the slaves of the rich, who exercised them for the benefit of their masters, whose wealth, power, and protection, made it almost impossible for a poor freeman to find a market for his work, when it came into competition with that of the slaves of the rich. Slaves, however, are very seldom inventive; and all the most important improvements, either in machinery, or in the arrangement and distribution of work, which facilitate and abridge labour have been the discoveries of freemen. Should a slave propose any improvement of this kind, his master would be very apt to consider the proposal as the

> suggestion of laziness, and of a desire to save his own labour at the master's expense. The poor slave, instead of reward would probably meet with much abuse, perhaps with some punishment. In the manufactures carried on by slaves, therefore, more labour must generally have been employed to execute the same quantity of work, than in those carried on by freemen. The work of the former must, upon that account, generally have been dearer than that of the latter. The Hungarian mines, it is remarked by Mr. Montesquieu, though not richer, have always been wrought with less expense, and therefore with more profit, than the Turkish mines in their neighbourhood. The Turkish mines are wrought by slaves; and the *arms of those slaves are the only machines* which *the Turks* have ever thought of employing. The Hungarian mines are wrought by freemen, who employ a great deal of machinery, by which they facilitate and abridge their own labour. From the very little that is known about the price of manufactures in the times of the Greeks and Romans, it would appear that those of the finer sort were excessively dear" ([*Wealth of Nations*, O.U.P. edition, Vol. II, pp. 305-06 I l.c., t. III, l. IV, ch. IX, pp. 549-51, ed. Garnier).

Adam Smith himself says, l.c., t. III, l. IV, ch. I, p. 5:

> "Mr. Locke remarks a distinction between money and other movable goods. All other movable goods, he says, are of so *consumable a nature*, that the wealth which consists in them cannot be much depended on... Money, on the contrary, is a steady friend" and so on [ibid., p. 3].

And again, [Garnier], l. c., pp. 24-25:

> "Consumable commodities, it is said, are soon destroyed; whereas gold and silver are of a *more durable nature*, and were it not for this continual exportation, might be accumulated for ages together, to the incredible

> augmentation of the real wealth of the country" [ibid., p. 14].

The man of the Monetary system raves about gold and silver because they are *money*, the independent, tangible form of existence of exchange-value; and a form of its existence that is indestructible, everlasting —in so far as they are not allowed to become means of circulation, the merely transient form of the exchange-value of commodities. The accumulation of gold and silver, piling it up, hoarding it, is therefore his way of growing rich. And as I showed in the quotation from Petty, other commodities are themselves valued according to the degree in which they are more or less durable, that is, remain exchange-value.

Now *in the first place* Adam Smith repeats this idea of the relatively greater or less durability of commodities in the section where he speaks of consumption which is more or less advantageous for the formation of wealth, according as it is consumption of less or more durable articles of consumption. Here therefore the Monetary system peeps through; and necessarily so, since even in direct consumption there is the mental reservation that the ||419| article of consumption remains *wealth*, a commodity, therefore a unity of use-value and exchange-value; and the latter depends on the degree to which the use-value is durable, that is, on how slowly consumption deprives it of the possibility of being a *commodity* or bearer of exchange-value.

Secondly, in his second distinction between productive and unproductive labour he completely returns —in a wider form —to the distinction made by the Monetary system.

> Productive labour "fixes and realises itself in some particular subject or vendible commodity, *which lasts jar some time at least after that labour is past*. It is, as it were, a certain quantity of labour stocked and stored

> up to be employed, if necessary, upon some other occasion".
>
> On the other hand, the unproductive labour's results or services "generally perish in the very instant of their performance, and seldom leave any trace or *value* behind them, for which an equal quantity of service could afterwards be procured" (Vol. II, b. II, ch. III, ed. McCulloch, p. 94).

Thus Smith makes the same difference between commodities and services as the Monetary system did between gold and silver and the other commodities. With Smith too the distinction is made from the point of view of accumulation —no longer however in the form of building a hoard, but in the real form of reproduction. The commodity perishes in consumption, but then it reproduces in turn a commodity of higher value; or, if it is not so used, it is itself value, with which another commodity can be bought. It is the nature of the product of labour that it exists in a more or less durable, and therefore again salable, use-value; in a use-value in which it is a vendible commodity, a bearer of exchange-value, a *commodity*, or, in essence, *money*. The services of unproductive labourers do not again become *money*. I can neither pay debts nor buy commodities nor buy labour which produces surplus-value with the services for which I pay the lawyer, doctor, priest, musician, etc., the statesman or the soldier, etc. They have gone, like perishable articles of consumption.

Thus at bottom Smith says the same thing as the Monetary system. For them, only that labour is productive which produces *money*, gold and silver. For Smith, only that labour is productive which produces *money* for its buyer; although he discerns the money character in all commodities in spite of its mask, while the Monetary system sees it only in the commodity which is the independent existence of exchange-value.

This distinction is founded on the nature of bourgeois production itself, since wealth is not the equivalent of use-value, but only the *commodity* is wealth, use-value as bearer of exchange-value, as money. What the Monetary system did not understand is how this money is made and is multiplied through the consumption of commodities, and not through their transformation into gold and silver —in which they are crystallised as independent exchange-value, in which however they not only lose their use-value, but do not alter the *magnitude of* their *value*.

Footnotes

* In translating this passage Marx has abridged it somewhat.—Ed.

*In the manuscript: “it does”.—Ed.

* Sterile—Ed.

+* Unproductive.—Ed.

* Incidental expenses, that is “mere expenses, unproductive expenditure either of living labour or of materialised labour” (Marx).- Ed.

* Gods of the lesser tribes.-Ed

*“Born to consume the fruits” (Horace).—Ed.

* In the manuscript: “in a variety”.—Ed.

** In the manuscript: “a plenty of silver and gold”.—Ed.

*This passage was translated by Marx into German and slightly shortened —*Ed*.

* Other things being equal. —*Ed*.

** In the manuscript: “when there”.—Ed.

*** Per *day*.—*Ed.*

* Lit.: bridges and roads—in France this designated the administration of roads and communications—Ed

* *Return to an Address of the House of Commons*, dated 24 April, 1861 (printed II February, 1862).

* *Return to an Address of the House of Commons*, dated 24 April, 1861 (printed II February, 1862).

* Marx quotes Schmalz from the French translation—Ed.

** In the manuscript there is a pun upon the name of the author that cannot be translated, Marx calls him Schmalzschmiertopf. (The German noun "Schmalz" means grease, lard, dripping; "Schmiertopf"—grease can, scribbler.)—Ed.

* <And so the same fellow says one page later "that all labour is *productive* of wealth, in proportion to its exchange-value determined by supply and demand" (it *produces* wealth, not in proportion to the exchange-value it produces, but in proportion to its own exchange-value; that is to say, not on the basis of what it produces but of what it costs), "that its respective value only contributes to the accumulation of capitals by *the saving and non-consumption* of the products that this value is entitled to take out of total production".>

* You work, but not for yourselves (Virgil).—Ed.

* This refers to the capitalist mode of production.—Ed.

* This refers to the capitalist mode of production.—Ed.

* Marx put the passage in his own words and slightly abbreviated it.—*Ed.*

* Marx refers to the French translation from which be takes this and the following passages (see Appendix, p. 450). The page reference in square brackets is to the English edition of 1804.—Ed.

* Born to consume the fruits (Horace).—Ed.

* *Sismondi* says: “Because of the progress made by industry and science, each labourer is able to produce each day more, and much more, than he needs to consume. But at the same time as his labour produces wealth, this wealth, if he was called upon to enjoy it, would make him little fitted for labour” (*Nouveaux principes...*, t. I, p. 85).

* Of their own peculiar kind.—Ed.

* The right of the first night.—Ed.

* In the manuscript: “distinction”.—Ed.

* See pp. 160, 161 and 264 of the present volume—Ed.

* in the manuscript: “of”.—Ed.

** In the manuscript: “are”.—Ed

Theories of Surplus Value, Marx 1861-3

[CHAPTER V] Necker

[Attempt to Present the

Antagonism of Classes in Capitalism as the Antithesis Between Poverty and Wealth]

Some quotations from Linguet above have already shown that the nature of capitalist production was clear to him nevertheless, Linguet, can be brought in here after Necker.

In his two works *Sur la législation et le commerce des grains* (first published 1775) and *De l'administration des finances de la France*, etc. [published 1784], Necker shows how the development of the productive powers of labour merely results in the worker requiring *less time* for the reproduction of his own wage, and therefore working *more time* for his employer *unpaid*. In dealing with this, he rightly starts from the basis of the *average wage*, the minimum of wages. What he is mainly concerned with, however, is not the transformation of labour itself into capital and the accumulation of capital through this process, but rather the general development of the antithesis between poverty and wealth, between poverty and luxury, because, to the extent that a smaller quantity of labour suffices to produce the necessary means of subsistence, part of the labour becomes more and more superfluous and can therefore be used in the production of luxury articles, in a different sphere of production. Some of these luxury articles are durable;

and so they accumulate from century to century in the possession of those who have surplus-labour at their disposal, making the contrast ever deeper.

The important thing is that Necker traces the origin of the wealth of the non-labouring classes ||420| —profit and rent— entirely to surplus-labour. In his treatment of surplus-value, however, what he has in mind is relative surplus-value, resulting not from the lengthening of the total working-day but from the shortening of the *necessary labour-time*. The productive power of labour becomes the productive power of the owner of the conditions of labour. And productive power itself is equivalent to the shortening of the labour-time that is necessary to produce a certain result. The chief passages are the following:

First: De l'administration des finances de la France, etc. (*Œuvres*, t. II, Lausanne et Paris, 1789):

> "I see one of the classes of society whose wealth must always be pretty nearly the same; I see another of these classes whose wealth necessarily increases: thus luxury, which arises from a relation and a comparison, has had to follow the growth of this disproportion and become more evident as time went on" (l.c., pp. 285-86). (The contrast between *the two classes* as *classes* has already been clearly noticed.) "The class of society whose lot is as it were *fixed* by the effect of social laws is composed of all those who, *living by the labour of their hands*, are subject to the imperative law of the *owners*" (owners of the conditions of production) "and are compelled to content themselves with a *wage proportionate to the simple necessities of life*; competition between them and *the urgency of their needs* bring about their *state of dependence;* these conditions cannot change" (l.c., p. 286).
>
> "*The continual invention of instruments which have simplified all mechanical arts has*, then, *augmented the wealth and the fortunate*

lot of the owners; one part of these instruments, *by reducing the costs of working the land, has increased the revenue* of which the owners of such property can dispose; another part of the discoveries of genius has *so greatly facilitated* the labours of industry that the *men who are in the service of the dispensers of the means of subsistence*" (i.e., of the capitalists) "have been able, *in an equal length of time, and for the same reward*, to produce a greater quantity of products of all kinds" (p. 287). "Let us assume that a century ago a hundred thousand workers were required to do what is done today by eighty thousand; the other twenty thousand would have found themselves obliged to take *to other occupations* to obtain wages; and the new products of their manual labour resulting from this would increase the pleasures and the luxuries of the rich" (pp. 287-88).

"For," he continues, "it must not be forgotten that the rewards assigned to all trades which do not require any special talent are always proportionate to the *necessary price of subsistence for each labourer*; thus the *speed of production*, when the knowledge required has become common, *does not accrue to the advantage of the labouring men*, and *the result is only an augmentation of the means* for the satisfaction of the tastes and vanities of those who have at their disposal the products of the land" (l.c., p. 288). "Among the various good things of nature which are fashioned and changed by men's industry there are a large number whose durability greatly exceeds the usual span of life: each generation has inherited a part of the labours of the preceding generation" <he is here only taking into account the accumulation of what Adam Smith calls the consumption fund> "and in all countries there is a continual *accumulation* of a greater quantity of the products of the arts; and as this quantity is always divided among the owners, the disproportion between their possessions and those of the numerous class of citizens has necessarily grown greater and more noticeable" (p. 289). Hence "*the*

> *quickening pace of industrial production*, which has multiplied the things of pomp and luxury on earth, *the length of time in which accumulation has grown from this*, and the *laws of property, which have brought these good things into the hands of one class of society alone*...these great sources of luxury would in any case have existed, whatever had been the quantity of coined money" (p. 291).

(The latter argument is directed against those who held that luxury was the result of the growth in the amount of money.)

Secondly: Sur la législation et le commerce des grains, etc. (*Œuvres*, t. IV):

> "When the artisan or the husbandman *have no reserves left*, they can no longer argue; they must *work today on pain of dying tomorrow*, and in this conflict of interest between ||421| the Owner and Labourer, the one stakes his life and that of his family, and the other a mere delay in the growth of his luxury" (l.c., p. 63).

This contrast between wealth that does not labour and poverty that labours in order to live also gives rise to a contrast of knowledge. Knowledge and labour become separated. The former confronts the latter as capital, or as a luxury article for the rich.

> "The faculty of knowing and understanding is a general gift of nature, but it is only developed by education; if properties were equal, everyone *would labour moderately"* (so once again, the quantity of labour-time is the decisive thing), "and *everyone would know a little*, because everyone would have *a portion of time*" (spare time) "left to give to study and reflection; but with the inequality of fortunes, resulting from the social order, *education is prohibited* for all who are born without property; because all sustenance being in the hands of that part of the nation which possesses *money or land*, and no one giving

> anything for nothing , the man born without any other resource but his strength is obliged to devote it to the service of the Owners from the first moment when his strength develops, and to continue thus all his life, from the moment when the sun rises to the moment when this strength has been worn down and needs to be renewed by sleep" (p. 112). "Lastly, is it not certain that this inequality of knowledge has become necessary for the maintenance of all the social inequalities *which gave rise to it?"* (l.c., p. 113), (cf. pp. 118-19).

Necker ridicules the economic confusion—characteristic of the Physiocrats in relation to the land, and of all subsequent economists in relation to the material elements of capital—which glorifies the owners of the conditions of production, not because they themselves, but these conditions, are necessary for labour and the production of wealth.

> "They begin by confusing the importance of the owner (a function so easy to perform) with the importance of the land" (l.c., p. 126). |IX-421||

Theories of Surplus Value, Marx 1861-3

[CHAPTER VI] Quesnay's Tableau Économique

(Digression)

[1. Quesnay's Attempt to Show the Process of Reproduction and Circulation of the Total Capital]

||X-422| Tableau économique, according to Quesnay

5,000 millions annual gross product (in pounds of Tours)

In original and annual advances, the farmers lay out	In rents, the landlords receive	The sterile class disposes of a fund of
a') 2,000 millions	a) 2,000 millions	a'')1,000 millions
b) 1,000 millions		
b'') 1,000 millions		c) 1,000 millions
d) 1,000 millions		b') 1,000 millions
5,000 millions		2,000 millions, of which half remains as a fund belonging to the sterile class

There are dotted lines from a) to b), from a) to c), from c) to d), from a') to b'), and from a'') to b'').—Transcriber

To make the Tableau clearer, I have shown what Quesnay regards each time as the starting-point of a circulation, as a, a', a'', the following link in the circulation as b, c, d, and as b', b'' respectively.

The point to note in this Tableau, and the point which impressed his contemporaries, is the way in which circulation is shown as determined purely by the circulation and reproduction of commodities, in fact by the process of capital.

[2. Circulation between Farmers and Landowners. The Return Circuit of Money to the Farmers, Which Does Not Express Reproduction]

The farmer first pays 2,000 million francs in money to the landlord, the *propriétaire*. With this, the landlord buys from the farmer, 1,000 millions worth of means of subsistence. 1,000 millions therefore flow back to the farmer in money, while one-fifth of the gross product is disposed of, passing definitively out of circulation into consumption.

The landlord next buys, with 1,000 millions in money, manufactured commodities, non-agricultural products, to the value of 1,000 millions. With this purchase, a second one-fifth of the (in this case manufactured) products falls out of circulation into consumption. These 1,000 millions in money are now in the hands of the sterile class, who buys with them from the farmer 1,000 millions worth of means of subsistence. Thus the second 1,000 millions which the farmer has paid to the landlord in the form of rent flow back to the farmer. On the other hand, a further one-fifth of the farmer's product has gone

to the sterile class, out of circulation into consumption. At the end of this first movement, therefore, we have the 2,000 millions in money back in the hands of the farmer. This money has carried through four different processes of circulation.

First, it served as means of payment for rent. In this function it does not circulate any part of the annual product, but is merely a circulating draft on the part of the gross product which is equal to the rent.

Second, the landlord buys means of subsistence from the farmer, using half the 2,000 millions, that is, 1,000 millions, thus realising his 1,000 millions in means of subsistence. In fact, the farmer merely gets back, in the 1,000 millions in money, half of the draft he has given the landlord for two-fifths of his product. In this transaction the 1,000 millions, since they serve as means of purchase, circulate commodities to that amount, which fall into final consumption. The 1,000 millions here serve the landlord only as *means of purchase*; he reconverts the money into use-value (commodities, which however enter into final consumption, and are bought as use-value).

If we consider purely the isolated act, the money in this transaction plays merely the role which, as means of purchase, it always plays for the seller, namely, being the changed form of his commodity. The landlord has his 1,000 millions in corn, the farmer has converted into money corn to the price of 1,000 millions, he has realised its price. But if we consider this act in connection with the preceding act of circulation, the money here does not appear as a mere metamorphosis of the farmer's commodity, as a golden equivalent of his commodity. The 1,000 millions are in fact only half the 2,000 millions, in money, which the farmer has paid to the ||423| landlord in the form of rent. It is true that he gets 1,000 millions in money for 1,000 millions in commodities, but *in so doing in fact he only buys back*

the money with which he paid the landlord the rent; that is to say, the landlord buys, with the 1,000 millions which he has received from the farmer, 1,000 millions worth of commodities from the farmer. He pays the farmer with the money which he has received *from the farmer without any equivalent.*

This flowing back of the money to the farmer, taken in con-junction with the first act, does not at first make it appear to him a mere means of circulation. But then it is different in essence from the flowing back of money to its starting-point when the movement is an expression of a process of reproduction.

For example: the capitalist—or, to leave the characteristics of capitalist reproduction entirely out of account, a producer— lays out £100 for raw material, instruments of labour and means of subsistence for the period of his labour. We will assume that he does not add more labour to the means of production than he had expended on the means of subsistence, the wages that he has paid to himself. If the raw material, etc., equals £80, and the labour added is equal to £20 (the means of subsistence consumed also being equal to £20), then the product is equal to £100. If he now sells it, the £100 flows back to him in money, and so on. This flowing back of the money to its starting-point here expresses nothing but continuous reproduction. The simple metamorphosis in this case is M—C—M, transformation of money into commodity and retransformation of commodity into money— this mere change of form of money and commodity here representing at the same time the process of reproduction. Money is transformed into commodities, *means of production* and means of subsistence; then these commodities enter as elements into the labour-process and emerge from it as a product. Thus a commodity appears again as a result of the process, that is, when the finished product re-enters the process of circulation, and by so doing again confronts

money as a commodity; and finally it is reconverted into money, since the finished commodity can only be exchanged again for its production elements after it has first been transformed into money.

The constant flowing back of the money to its starting-point expresses here not only the formal conversion of money into commodity and commodity into money—as in the simple process of circulation or the mere exchange of goods—*but at the same time the continuous reproduction of the commodity by the same producer*. Exchange-value (money) is converted into commodities which enter into consumption, and are consumed as use-values; they pass however into reproductive or industrial consumption, therefore reproduce the original value and consequently reappear in the *same* amount of money (in the above example, in which the producer labours only for his own maintenance), M—C—M here shows that M is not only formally converted into C, but C is actually consumed as a use-value, falling out of circulation into consumption, but into industrial consumption, so that its value is maintained and reproduced in consumption, and M therefore reappears at the end of the process, being maintained in the movement M—C—M.

In contrast with this, in the case given above, no reproduction process takes place when the money flows back from the landlord to the farmer. It is as if the farmer had given the landlord tokens or tickets for products to the value of 1,000 millions. When the landlord cashes these tokens, they flow back to the farmer and he redeems them. If the landlord had had half the rent paid directly in kind, no circulation of money would have taken place. The whole circulation would have been limited to a simple change of hands, the transfer of the product from the farmer's hand to the landlord's. First the farmer gives the landlord the money instead of the commodity, and then the landlord returns the money to the farmer in

order to take the commodity itself. The money serves the farmer as *means of payment* to the landlord; it serves the landlord as *means of purchase* in relation to the farmer. In the first function it moves away from the farmer, in the second it comes back to him.

This type of return flow of the money to the producer must always take place whenever he pays his creditors, instead of a part of his product, its value in money; and everyone who is a co-proprietor of his surplus is in this respect a creditor. For example: all taxes are paid by the producers in money. In this transaction the money is for them means of payment to the State. With this money the State buys commodities from the producers. In the hands of the State it is a means of purchase, and thus returns to the producers in the same measure as they part with their commodities.

This type of return flow—this peculiar flowing back of money that is not determined by reproduction—must take place in all cases where there is exchange of revenue for capital. What makes the money flow back in such cases is not reproduction but consumption. The revenue is paid in money, but it can only be consumed in commodities. The money which is received from the producers as revenue must therefore be paid back to them in order to obtain the same amount of value in commodities, that is, in order to consume the revenue. The money in which revenue is paid—rent for example, or interest or taxes, <the ||424 | industrial capitalist pays his revenue to himself in the product, or from the sale of the product that part of it which forms his revenue>—has the general form of means of payment. The person who pays the revenue is supposed to have received from his creditor a part of his own product—for example, in the case of the farmer, the two-fifths of the product which according to Quesnay constitute the rent. He is only its nominal or *de facto* owner.

The part of the farmer's product, therefore, which constitutes his rent, requires for its circulation between farmer and landlord only an amount of money equal to the value of the product, although this value circulates twice. First the farmer pays the rent in money; then with the same money the landlord buys the product. The first is a simple transfer of money, since the money functions only as *means of payment;* the assumption is therefore that the commodity for which it is paid is already in the hands of the payer and does not serve him as a means of purchase; that he receives no equivalent for the money, but on the contrary has this equivalent in advance. In the second transaction, on the other hand, the money functions as means of purchase, means of circulation for commodities. It is as if, with the money in which he pays his rent, the farmer had bought the landlord's share in the product. The landlord, with the same money that he has thus received from the farmer (who however in fact has given it away without any equivalent), buys the product back again from the farmer.

The same sum of money, therefore, which is handed over by the producers to the owners of revenue in the form of means of payment, serves the owners of revenue as means of purchase for the producers' commodities. This twofold change of place of the money—from the hands of the producer into the hands of the owner of revenue, and from the latter's hands back into the hands of the producer—thus expresses only a single change of place on the part of the commodity, that is, from the hands of the producer into the hands of the owner of revenue, Since the producer is supposed to owe a part of his product to the owner of revenue, the money-rent that he pays him is in fact only a retrospective payment for the value of the commodity which has already passed into his possession. The commodity is in his hands; but it does not belong to him. With the money that he pays in the form of revenue, he therefore redeems

it making it his property. Therefore the commodity does not change hands. When the money changes hands, this represents only a *change in the title of ownership* of the commodity, which remains in the hands of the producer as before. Hence this twofold change of place of the money with only a single change of hands for the commodity. The money circulates twice, in order to make the commodity circulate once. But it too circulates only once as means of circulation (means of purchase), while the other time it circulates as means of payment; in which type of circulation, as I have shown above, no simultaneous change of place between commodity and money takes place.

In fact, if the farmer has no money in addition to his product, he can only pay for his product after he has first sold his commodity, and it has therefore already passed through its first metamorphosis before he can pay it out as money to the landlord. Even taking this into account, there are more changes of place on the part of the money than on the part of the commodity. First C—M [is carried through]; two-fifths of the commodity is sold and transformed into money. Here there is the simultaneous exchange of commodity and money. Then however this same money, without being exchanged for a commodity, passes from the hands of the farmer into those of the landlord. Here there is a change of place of the money, but no change of place of the commodity. It is the same as if the farmer had a co-partner. He has received the money, but he must share it with his co-partner. Or rather, for the two-fifths it is more as if a servant of the farmer has received the money. This servant must give it to the farmer, he cannot retain it in his own pocket. In this instance the movement of the money from one hand to the other does not express any kind of metamorphosis of the commodity, but is a mere transfer of the money from the hand of its immediate possessor into the hand of its owner. This can therefore be the case when the man

who first receives the money is merely an agent for his employer. Then the money is also not a means of payment— there is a simple transfer of it from the hand of the receiver, to whom it does not belong, into the hand of the owner.

This kind of change of place of money has absolutely nothing to do with the metamorphosis of the commodity, any more than has the change of place arising from the mere conversion of one kind of money into another kind. With a means of payment, however, it is always implied that the payer has received a commodity for which he subsequently pays. In the case of the farmer, etc., he has *not received* this commodity; it is in his hands before it is in the landlord's hands, and it is a part of *his* product. But *in law* he becomes its owner only by handing over to the landlord the money received for it. His legal title to the commodity changes; the commodity itself is in his hands both before and after. But first it was in his hands as something *in his possession* but the owner of which was the landlord. It is now in his hands as his own property. The change in the legal form while the commodity remains in the same hands has naturally not caused the commodity itself to change hands.

[3. On the Circulation of Money between Capitalist and Labourer]

[(a) The Absurdity of Speaking of Wages as an Advance by the Capitalist to the

Labourer. Bourgeois Conception of Profit as Reward for Risk]

||425| <This also makes it clear how absurd it is to "explain" the profit of the capitalist from the fact that he advances money to the labourer before he has converted the commodity into money.

First: When I buy a commodity for my own consumption I get no "profit" because I am the buyer and the owner of the commodity is the "seller", because my commodity has the form of money and his must first be transformed into money. The capitalist pays for the labour only after he has consumed it, while other commodities are paid for before they are consumed. This arises from the peculiar nature of the commodity which he buys, and which is in fact only delivered after it is consumed. The money here has the form of means of payment. The capitalist has always appropriated to himself the commodity "labour" *before* he pays for it. The fact however that he only buys it in order to make a profit out of the resale of its product is no *reason* for his making this profit. It is a motive. And it would mean nothing but: he makes a profit by buying wage-labour *because* he wants to make a profit out of selling it again.

Secondly: But he does nevertheless advance to the labourer in the form of money the part of the product which is his share as wages, and thus saves the latter himself the trouble and risk and time involved in converting into money the part of the commodity which is due to him as wages. Is the labourer not to pay him for this trouble, this risk, and this time, and on this account to accept less of the product than he would otherwise get?

This would upset the whole relationship between wage-labour and capital, and destroy the economic justification of surplus-value. The result of the process is in fact that

the fund from which the capitalist pays the wage-labourer is nothing but the latter's own product, and that therefore capitalist and labourer *actually* share the product in aliquot parts. But this actual result has absolutely nothing to do with the transaction between capital and wage [-labour](on which rests the economic justification of surplus-value, the justification founded on the laws of commodity exchange itself). What the capitalist buys is the temporary right to dispose of labour-power; he only pays for it when this labour-power has taken effect, materialised itself in a product. Here, as in all cases where money functions as means of payment, purchase and sale precede the real handing over of the money by the buyer. But the labour *belongs* to the capitalist after that transaction, which has been completed before the actual process of production begins. The *commodity* which emerges as product from this process belongs entirely to him. He has produced it with means of production belonging to him and with labour which he has bought and which therefore belongs to him, even though it has not yet been paid for. It is the same as if he had not consumed anyone else's labour in the production of the commodity.

The profit that the capitalist makes, the surplus-value which he realises, springs precisely from the fact that the labourer has sold to him not labour realised in a commodity, but his labour-power itself as a commodity. If he had confronted the capitalist in the first form, as a possessor of commodities, the capitalist would not have been able to make any profit, to realise any surplus-value, since according to the law of value exchange is between equivalents, an equal quantity of labour for an equal quantity of labour. The capitalist's surplus arises precisely from the fact that he buys from the labourer not a commodity but his labour-power itself, and this has less value than the product of this labour-power, or, what is the same thing, realises itself in more

materialised labour than is realised in itself. But now, in order to justify profit, its very source is covered up, and the whole transaction from which it springs is repudiated. Because in fact—once the process is continuous—the capitalist only pays the labourer out of his own product, the labourer is only paid with *a part* of his own product, and the advance is therefore a mere pretence, we are now told that the labourer has sold his share in the product to the capitalist, *be fore it has been converted into money*. (Perhaps before it was capable of being converted into money, for although the workman's labour had materialised itself in a product, it may be that only one part of the vendible commodity has as yet been realised, for example, [only] part of a house.) So the capitalist is no longer owner of the product, and thereby the whole process through which he has appropriated another's labour gratis is invalidated. Now therefore owners of commodities confront each other. The capitalist has money, and the labourer sells him not his labour-power but a commodity, namely, the part of the product in which his own labour is realised.

He [the labourer] will now say to the capitalist: "Of these 5 lbs. of twist, say three-fifths represent constant capital. They belong to you. Two-fifths, that is, 2 lbs., represent my newly-added labour. Therefore you have to pay me the 2 lbs. So pay me the value of 2 lbs." And thereby he would pocket not only the wages but also the profit, in short, a sum of money equal to the quantity of labour newly added by him and materialised in the form of the 2 lbs.

"But," says the capitalist, "have I not advanced the constant capital?"

"Well," says the labourer, "you deduct the 3 lbs. for it, and pay me only 2."

"But," insists the capitalist, "you couldn't materialise your labour, you couldn't spin, without my cotton and my spindles. You must pay extra for that."

"Well," says the labourer, "the cotton would have rotted and the spindles rusted if I hadn't used them for spinning. ||426| The 3 lbs. of yarn which you are deducting do represent, it is true, only the value of your cotton and spindles which were used up, and are therefore contained, in the 5 lbs. of yarn. But it is only my labour that has maintained the value of cotton and spindles unchanged, by using these means of production as means of production. I'm not charging you anything for this value-maintaining power of my labour, because it didn't cost me any extra labour-time beyond the spinning itself, for which I get the 2 lbs. It's natural faculty of my labour which costs me nothing, though it maintains the value of the constant capital. As I don't charge you anything for it, you can't charge me for not being able to spin *without* spindles and cotton. For without spinning, your spindles and cotton wouldn't be worth a brass farthing."

Driven into a corner, the capitalist says: "The 2 lbs. of yarn are in fact worth 2s. They represent that much labour-time of yours. But am I to pay you for them before I have sold them? Perhaps I may not sell them at all. That is risk No. 1. Secondly, perhaps I may sell them at less than their price. That is risk No. 2. And thirdly, in any case it takes time to sell them. Am I to take on both risks on your behalf *without recompense* and lose my time into the bargain? You can't expect something for nothing."

"Wait a bit!" replies the labourer, "what's the relation between us? We face each other *as owners of commodities, you as buyer, we as sellers*, for you want to buy our share in the product, the 2 lbs., and it in fact contains nothing but our own materialised labour-time. Now you assert that we must sell you our

commodity *below* its value, so that as a result you would be getting more value in commodity than you now have in money. The value of our commodity is equal to 2s. You want to give only 1s. for it, so that—since 1s. contains as much labour-time as 1 lb. of yarn —you would get from the exchange twice as much value as you give in return. We on the other hand would get, instead of an equivalent, only half an equivalent, an equivalent f or only 1 lb. of yarn instead of 2 lbs. And on what do you base this demand, which is contrary to the law of value and the exchange of commodities in proportion to their value? On what? On the fact that you are buyer and we are seller, that our value is in the form of yarn, of a commodity, and your value is in the form of money —that the same value in the form of yarn confronts the same value in the form of money. But, my good friend, that is in fact a mere change of form, which affects the way in which the value is *expressed* but leaves the *amount of value* unaltered. Or do you hold the childish view that every commodity must be sold *under* its price, that is to say, for less than the sum of money which represents its value, because in the form of money it gets an *increased* value? But no, good friend, it does not get any increased value; the magnitude of its value does not change, it merely takes the shape of exchange-value in its pure form.

"Besides, my good friend, think of the troubles you are laying up for yourself by taking this line. For what you assert amounts to this —that the seller must always sell his commodity to the *buyer below* its value. Indeed as far as you are concerned, this was the case earlier when we sold you not a commodity we produced but our labour-power itself. It is true that you bought it at its value, but you bought our actual labour *below* the value in which it is expressed. However that's an unpleasant memory—let's say no more about it. We've got beyond that, thank goodness, since—by your own decision—we are no longer

to sell you our labour-power as a commodity, but the commodity itself which is the product of our labour. Let's look at the troubles you're laying up for yourself. The new law you have set up—that the seller pays for the conversion of his commodity into money not with his commodity, through the exchange of his commodity for money, but that he pays for it by selling the commodity *below* its price—this law by which the buyer always fleeces and defrauds the seller must hold good in like measure for every buyer and seller. Let's suppose that we accept your offer—but on the condition that you yourself submit to the law just created by you, namely the law that the seller must surrender to the buyer a part of his commodity *for nothing*, in return for the buyer changing it into money for him. Then you buy our 2 lbs., which are worth 2s., for 1*s*. and thus make a profit of 1*s*. or 100 percent. But now you have 5 lbs. of yarn, of a value of 5s., after you have bought the 2 lbs. belonging to us. Now you think you're going to do a good stroke of business. The 5 lbs. cost you only 4s., and you're going to sell them for 5s. 'Wait a minute!' says *the man who buys from you*, 'your 5 lbs. of yarn is a commodity, and you are a seller. I have the same value in money and I am a buyer. Consequently, by the law which you recognise I must make 100 per cent profit out of you. You must therefore sell me the 5 lbs. of yarn at 50 per cent below its value, for 2s. 6d. I'll give you then 2s. 6d. and get in exchange a commodity to the value of 5s., and thus make 100 per cent profit out of you, for what's sauce for the goose is sauce for the gander.'

"So you see, my good friend, [continues the worker] where you get with your new law; you would simply have diddled yourself, since although at one moment you are a buyer, the next you're in turn a seller. In this particular case you would lose more as a seller than you gained as a buyer. And don't forget this too— before the 2 lbs. of yarn you want now to buy from us ever existed, didn't you

make other purchases in advance, but for which the 5 lbs. of yarn would never have been there at all? ||426a | Didn't you buy cotton and spindles in advance, which are now represented by .3 lbs. of yarn? At that time the cotton jobber in Liverpool and the spindle maker in Oldham faced you as *sellers*, and you faced them as *buyer;* they represented commodity, you money—exactly the same relationship as we have the honour or the misfortune to stand in to each other at this moment. Wouldn't the sharp cotton jobber and your jovial colleague from Oldham have had a good laugh at you, if you had demanded that they hand over to you *for nothing* a part of the cotton and spindles, or what is the same thing, sell you these commodities below their price (and their value), on the ground that you were transforming commodities for them into money but they were transforming money into commodities for you, that they were sellers, you buyer? They risked nothing, for they got ready money, exchange-value in the pure, independent form. You, on the other hand, what a risk you were taking! First you had to make spindles and cotton into yarn, run all the risks of the production process, and then finally the risk of reselling the yarn, changing it back again into money! The risk whether it would sell at its value, or over or under its value. The risk of not selling it at all, of not transforming it back into money; and as to its quality as yarn, you didn't care a straw for it. You did not eat yarn, nor drink it, nor have any use whatever for it except selling it! And in any case the loss of time, in transforming the yarn again into money, and that includes therefore the transformation of spindles and yarn into money. 'Old boy,' your colleagues will reply, 'don't make a fool of yourself. Don't talk nonsense. What the devil do we care what you propose turning our cotton and our spindles to? What use you destine them for! Burn them, hang them, if you like, throw them to the dogs, but pay for them! The idea! We are to make you a present of our goods because you have

set up as a cotton spinner, and seem not to feel quite at ease in that line of business, and magnify to yourself its risks and perilous chances! Give up cotton spinning, or don't come into the market with such preposterous ideas!'"

The capitalist, with a supercilious smile, replies to this tirade from the labourers: "Evidently you people are a bit out of your depth. You're talking about things you don't understand. Do you imagine I've paid ready money to the Liverpool ruffian and the chap in Oldham? The devil I did. I've paid them in bills of exchange, and the Liverpool ruffian's cotton was in point of fact spun and sold before his bill fell due. With you it's another affair altogether. You want to get ready money."

"Very well," say the labourers, "and what did the Liverpool ruffian and the Oldham chap do with your bills?"

"What they were doing therewith?" says the capitalist. "Stupid question! They lodged them with their bankers and got them there discounted."

"How much did they pay the banker?"

"Let me see! Money is now very cheap. I think they paid something like 3 per cent discount; that is to say, not 3 per cent on the sum, but they paid so much on the sum for the time the bill was running as would have come up to 3 per cent on the whole matter if the bill had run for a whole year."

"Still better," say the working men. "Pay us 2s., the value of our commodity—or say 12s. as we have dealt today per day, but we will deal per week. But take away from that sum 3 per cent per annum for fourteen days."

"But this bill is too small," says the capitalist, "to be discounted by any banker."

"Well," reply the working men, "we are 100 men. Thus you have to pay to us 1,200 shillings. Give us a bill for them. This makes £60 and is not too small a sum to be discounted; but besides, as you discount it yourself, the sum must not be too small for you, since it is the identical sum whence you pretend to derive your profit on us. The amount deducted wouldn't he worth mentioning. And since we would thus get the major part of our product in its entirety, we would soon reach the point when we didn't need you to discount it for us. Naturally we will not give you longer credit than the fourteen days the stock jobber gives you."

If—turning the actual relationship upside-down—wages are to be derived from the discount on the part of the value of the total product that belongs to the workmen—that is, from the fact that the capitalist pays them this part in advance in *money*—he would have to give them very short-term bills of exchange, such as for example he pays to the cotton jobber, etc. The workman would get the largest share of his product, and the capitalist would soon cease being a capitalist. From being the owner of the product he would become merely the workmen's banker.

Moreover, just as the capitalist takes the risk of selling the commodity below its ||427| value, he equally takes the chance of selling it above its value. The workman will he thrown out onto the street if the product is unsalable; and if it falls for long below the market-price, his wages will be brought down below the average and short time will be worked. It is he, therefore, that runs the greatest risk.

Thirdly: It never enters anyone's head to suggest that the farmer, because he has to pay rent in money, or the industrial capitalist, because he has to pay interest in money —and therefore in order to pay them must first have converted his product into money—is on that

account entitled to deduct a part of his rent or his interest.>

[(b) Commodities Which the Labourer Buys from the Capitalist. A Return Flow of the Money Which Does Not Indicate Reproduction]

In that part of the capital which circulates between industrial capitalist and labourer (that is, the part of the circulating capital which is equal to the variable capital), there is also a return flow of the money to its starting-point. The capitalist pays the labourer his wages in money; with this money the labourer buys commodities from the capitalist, and so the money flows back to the capitalist. (In practice, to the capitalist's banker. But the bankers in fact represent, in relation to the individual capitalist, the aggregate capital in so far as it takes the form of *money*.) This return flow of the money does not in itself indicate any reproduction. The capitalist buys labour from the labourer with money; with the same money, the labourer buys commodities from the capitalist. The same money takes the form first of means of purchase for labour, and later on as means of purchase for commodities. That it comes back to the capitalist is due to the fact that at first he is a buyer, and then in turn, in relation to the same parties, he is a seller. He parts with it as a buyer; it returns to him as a seller. The labourer on the contrary is first seller and then buyer, so first he gets the money and then he pays it out, while in relation to him the capitalist first pays it out and then takes it in.

For the capitalist, the movement here is M—C—M. He buys a commodity (labour-power) with money; with the product of this labour-power (a commodity) he buys money; in other words, he sells this product in turn to his

former seller, the labourer. For the labourer, on the other hand, the movement of circulation is C—M—C. He sells his commodity (labour-power), and with the money he gets for it he buys back a part of his own product (a commodity). It could indeed be said that the labourer sells a commodity (labour-power) for money, spends this money on commodities, and then sells his labour-power again, so that for him too the movement is M—C—M; and since the money is constantly fluctuating between him and the capitalist, it could equally be said, depending on whether one considers it from the standpoint of the one or of the other, that for him as well as for the capitalist the movement is M—C—M. The capitalist, however, is the buyer. The renewal of the process starts from him, not from the labourer, while the return flow of the money is compulsory, since the labourer must buy means of subsistence. Here, as in all movements where the form of circulation on one side is M—C—M and on the other C—M—C, it is made evident that the aim of the process of exchange on one side is exchange-value, money—and therefore its increase—and on the other side use-value, consumption. This also is the case when the money flows back as in the example first considered, where on the farmer's side the movement is M—C—M, C—M—C on the landlord's side; taking into account the fact that the M with which the landlord buys from the farmer is the money form of the rent, and therefore the result of a movement C—M, the changed form of the part of the product that at bottom belongs to the landlord in kind.

This M—C—M, in so far as it merely expresses, as between labourer and capitalist, the return to the latter of the money laid out by him in wages, in itself does not indicate any reproduction process, but only that the two parties are in turn buyer and seller in relation to each other. Nor does it represent money as capital, in such a way as in M—C—M', where the second M' would be a larger sum of money than the first M, so that M represents

value (capital) which increases in value. On the contrary, it merely expresses the formal return of *the same* amount of money (often even less) to its starting-point. (By capitalist here, of course, is meant the class of capitalists.) I was therefore wrong in saying in the first Part that the form M—C—M must always be M—C—M'. It may express merely the formal return of the money, as I indicated there already, by showing that the return circuit of the money to the same starting-point arises from the fact that the buyer in turn becomes seller.

It is not *this* return movement of the money that enriches the capitalist. For example, say that he has paid 10s. for wages. The labourer buys goods from him with this 10s. He has given the labourer goods to the value of 10s. for his labour-power. If he had given him means of subsistence in kind to the price of 10s., there would have been no circulation of money, and therefore no return flow of money. This phenomenon of money returning has therefore nothing to do with the enrichment of the capitalist, which only arises from the fact that in the production process itself the capitalist appropriates more labour than he has expended in wages, and that his product is consequently larger than the costs of producing it; while the money that he pays the labourer can in no case be less than the money with which the labourer buys goods from him. This formal return of the money has nothing to do with making a profit, and therefore M here does not signify capital ||428| any more than an increase or replacement of value takes place when money spent in rent, interest or taxes flows back to the payer of rent, interest and taxes.

M—G—M, in so far as it represents the formal return of money to the capitalist, only means that his promissory note issued in money is realised in his own commodity.

As an example of the wrong explanation of this money circuit—this return of money to its starting-point—see

Destutt de Tracy above. As a second example, with special reference to the circulation of money between labourer and capitalist, Bray is to be quoted later. Finally, *Proudhon*, in regard to the money-lending capitalist.

This form of return circuit M—C—M is found wherever the buyer becomes in turn seller, and therefore in the movement of all commercial capital, where all dealers buy from each other in order to sell, and sell in order to buy. It is possible that the buyer—M—is unable to sell the commodity, rice for example, at a higher price than he bought it at; he may have to sell it below its price. Thus in such a case a simple return of the money takes place, because the purchase turns into a sale without the M having established itself as value that increases value, that is, as capital.

It is the same for example in the exchange of constant capital. The machine builder buys iron from the producer of iron and sells him machines. In this case the money flows back. It was paid out as means of purchase for the iron. It then serves the iron producer as means of purchase for machines, and so flows back to the machine builder. The latter has got iron for the money he paid out; he has delivered machines for the money he received. The same money has circulated twice its value. For example, the machine builder buys iron with £1,000; with the same £1,000 the iron producer buys machinery. The value of the iron and the machinery together is £2,000. In this way, however, £3,000 must be in motion: £1,000 money, £1,000 machinery and £1,000 iron. If the capitalists made an exchange in kind, the commodities would change hands without a farthing circulating.

It is the same when they have reciprocal accounting and the money serves them as means of payment. If paper money or credit money (bank-notes) circulate, then there

is one difference in the transaction. £1,000 still exist in bank-notes, but they have no intrinsic value. In any case here too there are three [times £1,000]: £1,000 iron, £1,000 machinery, £1,000 in bank-notes. But as in the first case these three only exist because the machine builder has had [£l,000] twice—machinery £1,000 and money— in gold and silver or bank-notes—£l,000. In both cases the iron producer returns to him only number two (the money); because the only reason why he received it at all was that the machine builder, as buyer, did not immediately become seller; he did not pay for the first commodity, the iron, in commodities, and so he paid for it in money. When he pays for it in commodities, that is, when he sells commodities to the ironmaster, the latter returns the money to him because payment has not to be made twice, once in money, and the second time in commodities.

In both cases the gold or the bank-note represents the changed form of a commodity previously bought by the machine builder or some other person, or perhaps of a commodity that has been converted into money even though it has not yet been bought (as in the case of revenue), such as the landlord (his forebears, etc.) represents. Here the flowing back of the money only indicates that the person who has paid out the money for commodities, the person who has thrown the money into circulation, pulls back the money out of circulation by the sale of another commodity that he throws into circulation.

The very same £1,000 we are thinking of could in one day pass through forty or fifty hands, from capitalist to capitalist, and [it would] only transfer capital from one to the other. Machinery [goes] to the iron producer, iron to the peasant, grain to the maker of starch or spirits, and so on. In the end it might again come into the hands of the machine builder, and pass from him to the iron producer, and so on, and thus it might circulate a capital of £40,000

or more and might continually flow back to whoever first paid it out. M. Proudhon concludes from this that that part of the profit made on this £40,000 which consists of interest on money, and is therefore paid out by the different capitalists —for example, by the machine builder to the man who lent him £1,000, by the iron producer to the man who lent him £1,000 which he spent long ago for coal, etc., or in wages, etc.—that these £1,000 yield the *total interest* that the £40,000 brings in. So that if the interest was 5 per cent, £2,000 in interest. From which he makes the correct calculation that the £1,000 have brought in 200 per cent. And he is a critic of political economy par excellence![*]

But although M—C—M, representing the money circulation between capitalist and labourer, in itself does not imply any act of reproduction, nevertheless this is implied by the continuous repetition of this act, the continuity of the return circuit. There cannot be a buyer continually becoming a seller without the reproduction of the commodity which he sells. In fact, this holds good for everyone except those who live on rent or interest or taxes. But in some cases the return movement M—C—M always takes place if the transaction is to be completed—as in the case of the capitalist in relation to the labourer, or landlord or money-lender (with these latter, there is a simple return of the money). In other cases the act is completed when commodities are bought, when the movement C—M—C has been concluded, as in the case of the labourer. It is this act which he continually renews. His initiative is always as seller, not as buyer. The same holds good for all money circulation ||429| which is merely expenditure of revenue. The capitalist himself, for example, consumes a certain amount each year. He has converted his commodity into money, in order to pay out this money for commodities which he wants for his final consumption. Here there is C—M—C, and there is no

return of the money to him; but the return is to the seller (the shopkeeper for example), whose capital is replaced by the expenditure of revenue.

Now we have seen that an exchange takes place, a circulation of revenue against revenue. The butcher buys bread from the baker; the baker meat from the butcher; both consume their revenue. They do not pay for the meat that the butcher himself eats or the bread that the baker himself eats. Each of them consumes this part of his revenue in kind. It is however possible that the meat bought by the baker from the butcher replaces not the latter's capital but his revenue—that part of the meat sold by him which not only represents his profit but the part of his profit which he wants to consume himself, as revenue. The bread that the butcher buys from the baker is also an expenditure of his revenue. If the two run accounts with each other, one or the other of them has only to pay the balance. There is no money circulated in respect of the part of their reciprocal purchases and sales which balances out. Let us however assume that the baker has to pay the balance and that this balance represents revenue for the butcher. Then he spends the money from the baker on other articles of consumption. Assuming that this is £10, which he spends with the tailor. If the £10 represents revenue for the tailor, he spends it in a similar way; in turn, he buys bread with it and so on, In this way the money flows back to the baker, no longer however as a replacement of revenue, but as a replacement of capital.

A question that can still be raised is: in M—C—M, as carried through by the capitalist, when it represents self-expanding value, the capitalist draws more money out of circulation than he threw into it. (This was what the miser actually wanted to do but did not succeed in doing. For he does not draw more value in the form of gold and silver out of circulation than he threw into it in the form of commodities. He possesses more value in the

form of money, whereas previously he had more value in the form of commodities.) The total production costs of his commodity are £1,000. He sells it for £1,200, because his commodity now contains 20 per cent or one-fifth unpaid labour—labour that he has not paid for but nevertheless sold. How then is it possible for all capitalists, the class of industrial capitalists, continually to draw more money out of circulation than they put into it? First it can be said that on the other hand the capitalist continually puts in more than he draws out. His fixed capital had to be paid for. But he sells it only in the measure that he consumes it, only bit by bit. It always enters only to a much smaller extent into the *value* of the commodity, while it enters in its entirety into the process of producing the commodity. If its circulation is 10 years, only one-tenth of it enters annually into the commodity, and no money circulates in respect of the other nine-tenths, as this nine-tenths does not in any way come into circulation in the form of a commodity. That is the first point.

We will consider this problem later, and meanwhile return to Quesnay.

But first one other point. The return of bank-notes to a bank which discounts bills or makes advances in notes is quite a different phenomenon from the return of money which we have been considering up to now. In this case the transformation of the commodity into money is anticipated. It receives the form of money before it is sold, perhaps before it is produced. Or perhaps it has already been sold (for bills of exchange). *In any case* it has not yet been *paid for*, not yet reconverted into money. This transformation is therefore in any case anticipated. As soon as it is sold (or *deemed* to be sold) the money flows back to the bank, either in its own notes, which thus come back out of circulation, or in notes of other banks, which are then exchanged for its own (between the bankers)—so that then the notes of both are

withdrawn from circulation, return to their starting-point—or in gold and silver. If this gold and silver is demanded for banknotes which are in some third person's hands, the notes come back. If the notes are not converted, a similar quantity of gold and silver is taken out of circulation, and now lies in the bank's reserves instead of the notes.

In all these cases the process is this: the existence of the money (transformation of the commodity into money) was anticipated. As soon as it is actually transformed into money, the transformation into money takes place a second time. This second existence of it as money, however, returns to the starting-point—it cancels out, takes the place of its first existence as money, and comes back out of circulation to the bank. It is perhaps the *same identical* quantity of notes that expressed its first existence which now expresses its second. The bill of exchange for example has been discounted by a yarn manufacturer. He has received the bill of exchange from the weaver. With the £1,000 he pays for coal, raw cotton, etc. The various hands through which these notes pass in payment for their commodities finally spend them on linen, and so the notes come to the weaver, who on the day the bill matures pays the spinner the identical notes, and the spinner in turn takes them back to the bank. It is by no means necessary that the second (posthumous) transformation of the commodity into money—after the transformation in anticipation— ||430| should be carried through in different money from the first. And so it seems as if the spinner has in fact got nothing, since he borrowed notes, and the end of the process is that he gets them back again and returns them to the issuer. In fact however these identical notes have served as means of circulation and means of payment during this period, and the spinner has used them in part to pay his debts, and in part to buy goods needed for the reproduction of the yarn, and in this way he has realised a surplus (through the exploitation of

his workmen) a part of which he can now pay back to the bank. Likewise in money, since more money has flowed back to him than he had expended, advanced, laid out. How? That again brings us to the question we had meanwhile held over.

[4. Circulation between Farmer and Manufacturer According to the Tableau Économique]

So back to Quesnay. We come now to the third and fourth acts of circulation.

L (the landlord) buys manufactured commodities from S (sterile class, manufacturer) (line a—c in the Tableau) for 1 milliard. Here 1 milliard in money, and commodities to the same amount, circulate. <Because what takes place is a single act of exchange. If L bought from S in instalments and similarly received his rent from F (the farmer) in instalments, the 1 milliard of manufactured commodities could be bought say with 100 millions, For L buys manufactured commodities from S for 100 millions; S buys means of subsistence from F for 100 millions; F pays 100 millions of rent to L; and when this had occurred ten times, ten times 100 millions of commodities would have passed from S to L, and from F to S, and ten times 100 millions from F to L. The whole circulation would then have been carried out with 100 millions. If F however pays the rent in a single payment, a part of the 1 milliard which is now in the possession of S and of the 1 milliard which is again in F's possession might lie in their money-boxes, and the other part be in circulation.> Commodities to the value of 1 milliard have

now passed from S to L; on the other hand, money to the value of 1 milliard has passed from L to S. This is simple circulation. Money and commodities merely change hands in the reverse direction. But in addition to the 1 milliard of means of subsistence which the farmer has sold to L and which have thus gone into consumption, the 1 milliard of manufactured commodities which S has sold to L have also gone into consumption. It must be noted that these existed before the new harvest. (Otherwise L could not buy them with the product of the new harvest.)

S for his part now buys means of subsistence to the value of 1 milliard from F [line c–d in the Tableau]. Now a *second one-fifth of the gross product* has fallen out of circulation and into consumption. As between S and F, the 1 milliard functions as means of circulation. But at the same time two things take place in this transaction which do not take place in the process between S and L. In that process S reconverted into money one part of his product—manufactured goods to the amount of 1 milliard. But in the exchange with F he transforms the money again into means of subsistence (which for Quesnay are equivalent to wages), and in this way replaces the capital which he had expended in wages and consumed. This retransformation of the 1 milliard into means of subsistence expresses, in the case of L, mere consumption, but in the case of S it expresses industrial consumption, reproduction; for he retransforms a part of his commodity into one of the elements in its production—means of subsistence. The one metamorphosis of the commodity, its retransformation from money into commodity, thus in this case expresses at the same time the beginning of its *real*, not merely *formal*, metamorphosis—the beginning of its reproduction, the beginning of its retransformation into its own production elements; in this transaction there is at the same time metamorphosis of the capital. But for L. revenue is merely converted from the form of money

into the form of commodity. This implies only consumption.

In the second place, however, since S buys means of subsistence from F for 1 milliard, the second 1 milliard which F paid as money-rent to L returns to F. But it only returns to him because he draws it back out of circulation, buys it back, with an equivalent—1 milliard in commodities. It is the same as if the landlord had bought from him 1 milliard of means of subsistence (in addition to the first milliard); that is to say, as if the landlord had had the second part of his money-rent delivered by the farmer in commodities, and had then exchanged these commodities for commodities from S. S only lifts for L the second part of the 2 milliards in commodities which F has paid to L in money. If payment had been in kind, F would have given L 2 milliards in means of subsistence; L would have consumed 1 milliard of these himself, and exchanged the other 1 milliard in means of subsistence with S, for the latter's manufactured goods. In this case there would only have been: (1) transfer of the 2 milliards in means of subsistence from F to L; (2) a barter transaction between L and S, in which the former exchanges 1 milliard in means of subsistence against 1 milliard in manufactured goods, and vice versa.

But instead of this, four acts have taken place: ||431| (1) transfer of 2 milliards in money from F to L; (2) L buys means of subsistence for 1 milliard from F, the money flows back to F, serving as means of circulation; (3) L buys manufactured goods from S for 1 milliard in money; the money functions as means of circulation; changing hands in the reverse direction to the goods; (4) with the 1 milliard in money, S buys means of subsistence from F; the money functions as means of circulation. For S, it at the same time circulates as capital. It flows back to F because now the second 1 milliard in means of subsistence is lifted—for which the landlord held a note of assignment from him. The money however does not

come back to him directly from the landlord, but only after it has served as means of circulation between L and S, and in between, before it lifts the 1 milliard of victuals, has on its passage lifted 1 milliard in manufactures, and transferred them from the manufacturer to the landlord. The conversion of his commodity into money (in the exchange with the landlord) as well as the following conversion of money into victuals (in the exchange with the farmer) are, on the part of S, the metamorphosis of his capital, first into the form of money, and secondly into the form of the constitutive elements necessary to the reproduction of the capital.

The result of the four acts of circulation up to this point is therefore: the landlord has spent his revenue, half on means of subsistence, half on manufactured goods. By these transactions, the 2 milliards he received as rent in the form of money have been spent. Half of it flows back to the farmer from him direct, and half indirect, via S. S however has parted with one part of his finished goods, and has replaced this part with means of subsistence, that is, with an element needed for reproduction. With these processes completed, the circulation is at an end as far as the landlord comes into it. But the following have passed out of circulation into consumption—partly unproductive consumption, partly industrial—(the landlord has partially replaced the capital of S by spending his revenue): (1) 1 milliard of means of subsistence (product of the new harvest); (2) 1 milliard of manufactured goods (product of the previous year's harvest); (3) 1 milliard of means of subsistence which enter into reproduction, that is, into the production of the goods which S next year will have to exchange against half the landlord's rent.

The 2 milliards in money are now again in the hands of the farmer. He then buys goods for 1 milliard from S to replace his annual and original advances, in so far as these consist partly of tools, etc., and partly of manufactured goods which he consumes during the process of

production. This is a simple process of circulation. It puts 1 milliard into the hands of S, while the second part of his product existing in the form of a commodity is converted into money. On both sides there is metamorphosis of capital. The farmer's 1 milliard is reconverted into elements of production needed for reproduction. The finished goods of S are reconverted into money; they pass through the *formal* metamorphosis from commodity into money, without which the capital cannot be reconverted into its production elements, and therefore also cannot be reproduced. This is the fifth circulation process. *One milliard of manufactured goods* (product of the previous year's harvest) (a'–b') fall out of circulation into reproductive consumption.

Finally S reconverts the 1 milliard in money, in which form half of his commodities now exist, into the other half of his conditions of production—raw materials, etc. (a"–b"), This is simple circulation. For S, it is at the same time the metamorphosis of his capital into the form suitable for its reproduction; for F, it is the reconversion of his product into money. Now the last one-fifth of the gross product falls out of circulation into consumption.

That is to say: one-fifth goes into reproduction for the farmer, and does not come into circulation; the landlord consumes one-fifth (that makes two-fifths); S gets two-fifths; in all, four-fifths.

Here there is an obvious gap in the explanation. Quesnay seems to reckon like this: F gives L (line a–b) 1 milliard (one-fifth) in means of subsistence. With 1 milliard of his raw materials be replaces S's fund (a"–b"). And 1 milliard in means of subsistence form wages for S, which he adds as value to the commodities and consumes in food while he is doing it (c–d), And 1 milliard remains in reproduction (a'), not entering into circulation. Finally, 1 milliard of the

product replaces advances (a'–b'). Only he overlooks the fact that S buys for the 1 milliard in manufactured goods, neither means of subsistence nor raw materials from the farmer, but pays back to him his own money. In fact he sets out from the presupposition that the farmer possesses 2 milliards in money in addition to his gross product, and that this money is the total fund from which the money in circulation is provided.

He also forgets that in addition to the 5 milliards in gross product, a further 2 milliards of gross product exist in manufactured commodities produced before the new harvest. For the 5 milliards represent only the total annual production, ||432| the total crop produced by the farmers, but not the gross product of manufacture, the reproductive elements for which have to be replaced out of this year's harvest.

We thus have: (1) 2 milliards in money in the farmer's hands; (2) 5 milliards in gross product of the land; (3) 2 milliards in manufactured goods. That is, 2 milliards in money, and 7 milliards in product (agricultural and industrial), The circulation process, put briefly, is as follows (F=farmer, L=landlord, S = manufacturer, sterile):

F pays L 2 milliards in money for rent; L buys from F means of subsistence for 1 milliard. So one-fifth of the farmer's gross product is disposed of. At the same time, 1 milliard in money flows back to him. L moreover buys goods from S for 1 milliard. By this transaction, one-half of S's gross product is disposed of. In return for it, he has 1 milliard in money. With this money he buys 1 milliard of means of subsistence from F. By this transaction he replaces one-half of the reproductive elements of his capital. This disposes of another one-fifth of the farmer's gross product. At the same time the farmer finds himself again in possession of the 2 milliards in money, the price of the 2 milliards in means of subsistence which he has

sold to L and S. F now buys goods from S for 1 milliard, which replace for him half of his advances. So the other half of the manufacturer's gross product is disposed of. Finally, the latter, S, buys raw materials from the farmer for the last 1 milliard in money; thereby a third one-fifth of the farmer's gross product is disposed of, and the second half of the reproductive elements of the capital of S is replaced; but also 1 milliard flows back to the farmer. The latter finds himself therefore again in possession of the 2 milliards, which is in order, since Quesnay thinks of him as the capitalist, in relation to whom L is merely a receiver of revenue and S merely a wage-earner. If he paid L and S directly in his product, he would not part with any money. If he pays out in money, they buy his product with it, and the money flows back to him. This is the formal return circuit of money to the industrial capitalist, who as buyer opens the whole business and brings it to an end. Moreover, one-fifth of the advances belongs to reproduction. One-fifth of the means of subsistence, however, which has not entered into circulation at all, remains to be disposed of.

[5. Circulation of Commodities and Circulation of Money in the Tableau Économique. Different Cases in Which the Money Flows Back to Its Starting-Point]

S buys from the farmer means of subsistence for 1 milliard and raw materials for 1 milliard; and on the other hand F buys from him only 1 milliard of commodities to

replace his advances. So S has to pay a balance of 1 milliard which in the final instance he pays with the 1 milliard he has received from L. Quesnay seems to confuse this *payment* of 1 milliard to F with the *purchase of* F's product to the amount of 1 milliard. Reference must be made to the Abbé Baudeau's explanations on this point.

In fact (on our calculation) the 2 milliards have only served to: (1) pay rent to the amount of 2 milliards in money; (2) circulate 3 milliards of the farmer's gross product (1 milliard means of subsistence to L, 2 milliards means of subsistence and raw materials to S) and to circulate 2 milliards of the gross product of S (1 milliard of it to L, who consumes it, and 1 milliard to F, who consumes it reproductively).

In the last purchase (a"–b") in which S buys raw materials from F, he pays him back in money.

||433| So once more:

S has received from L 1 milliard in money. With this 1 milliard in money he buys means of subsistence from F to that amount. With the same 1 milliard in money F buys commodities from S. With the same 1 milliard in money S buys raw products from F.

Or, S buys from F raw materials for 1 milliard in money, and means of subsistence for 1 milliard in money. F buys goods from S for 1 milliard [in money]. In this case 1 milliard flows back to S, but only because it was assumed that in addition to the 1 milliard in money he receives from the landlord, and the 1 milliard in goods that he still has to sell, he had over and above this another 1 milliard in money which he himself had thrown into circulation. Instead of 1 milliard circulating the goods between him and the farmer, on this assumption 2 milliards would have been used for it. Then 1 milliard

returns to S. For he makes purchases from the farmer for 2 milliards in money. The latter buys 1 milliard from him, for which he pays him back half the money he had received from him.

In the first case S buys in two stages. First he pays out 1 milliard; this flows back to him from F; and then he pays it out once more definitively to F, and so nothing comes back.

In the second case, on the other hand, S makes a single purchase for 2 milliards, If then F makes a return purchase for 1 milliard, this remains with S. The circulation would have used 2 milliards instead of 1 milliard, because in the first case the 1 mil1iard, by rotating twice, realised 2 milliards in commodities. In the second case 2 milliards, in one rotation, also [realised] 2 milliards in commodities. If the farmer now pays back 1 milliard to S, S has not got more than in the first case. For he has thrown into circulation, in addition to 1 milliard in commodities, also 1 milliard in money from his own fund which existed prior to the circulation process. He has put it out into circulation, and so it flows back to him.

In the first case: S [buys] 1 milliard of commodities from F, for 1 milliard in money; F [buys] 1 milliard in goods from S, [for] 1 milliard in money; S [buys] 1 milliard of commodities from F, [for] 1 milliard in money; so that F keeps 1 milliard.

In the second case: S [buys] 2 milliards of commodities from F, for 2 milliards in money; F [buys] 1 milliard of goods from S, for 1 milliard in money. The farmer, as before, keeps the 1 milliard. S however gets back the 1 milliard of capital advanced by him to circulation, it is thrown back to him by circulation. S buys commodities from F for 2 milliards; F buys goods from S for 1 milliard. Therefore in any event S has to pay a balance of 1 milliard, but not more than this. Since, by way of paying

this balance, he had paid F 2 milliards as a result of the particular form of circulation, F pays him back this 1 milliard, while in the first case he does not return any money to him.

In the first case S makes purchases from F for 2 milliards, and F from S for 1 milliard. So in both cases the balance in F's favour is 1 milliard. But this balance is paid to him in such a way that his own money flows back to him, because S first buys 1 milliard from F, then F 1 milliard from S, and finally S 1 milliard from F. In these transactions 1 milliard has circulated 3 milliards. But in the aggregate the value in circulation (if the money is real money) has been 4 milliards, 3 milliards in commodities and 1 milliard in money. The amount of money originally thrown into circulation (to pay F) and circulating was never more than 1 milliard—that is, never more than the balance which S had to pay to F. Because F bought from him to the amount of 1 milliard before he buys from F to the amount of 1 milliard for the second time, S can pay his balance with this 1 milliard.

In the second case S throws 2 milliards into circulation. It is true that with it he buys 2 milliards in commodities from F. These 2 milliards are here required as means of circulation, and are paid out against an equivalent in commodities. But F buys back goods for 1 milliard from S. One milliard therefore returns to S, as the balance which he has to pay to F is only 1 milliard and not 2 milliards. He has now replaced for F 1 milliard in commodities, and so F must pay him back the 1 milliard, which *now* he would have paid him in money for nothing. This case is remarkable enough to spend a moment on it.

There are various possible cases of the circulation assumed above of 3 milliards in commodities, of which 2 milliards are means of subsistence and 1 milliard manufactures; we must however note: *first* that on

Quesnay's assumption there is 1 milliard in money in the hands of S and 1 milliard of money in the hands of F at the moment when the circulation between the two of them begins; *secondly*, we will assume by way of illustrating the point that in addition to the 1 milliard which S receives from L, S has in his till another 1 milliard in money.

||434| I. *First:* The case as Quesnay puts it. S buys 1 milliard in commodities from F, for 1 milliard in money; with the 1 milliard in money thus received from S, F buys 1 milliard in commodities from S; finally S, with the 1 milliard in money he has got back in this way, buys 1 milliard of commodities from F. F is therefore left with the 1 milliard in money which to him represents capital (in fact, along with the other 1 milliard in money which he has got back from L, it forms the revenue with which again next year he pays the rent in money; that is, 2 milliards in money). 1 milliard in money has here circulated three times— from S to F, from F to S, from S to F—and each time in exchange for 1 milliard in commodities, that is, for 3 milliards in all. If the money itself has value, values to a total of 4 milliards are in circulation. Money here functions only as means of circulation; but for F, in whose hands it finally remains, it is transformed into money and possibly into capital.

II. *Secondly:* The money functions merely as means of payment. In this case S, who buys 2 milliards in commodities from F, and F, who buys 1 milliard in commodities from S, settle accounts with each other. At the close of the transaction S has to pay a balance of 1 milliard in money. As in the former case, 1 milliard in money comes into F's money-box, but without having served as means of circulation. The money is a transfer of capital for him, as it only replaces his capital of 1 milliard in commodities. As before, values amounting to 4 milliards are in circulation. But instead of three movements of 1 milliard in money, there has only been one, and the money has only paid for an amount of values

in commodity form that is equal to itself. In the former case, it paid for three times as much. What would be saved as compared with case I would be the two superfluous movements of circulation.

III. *Thirdly:* To start with F comes forward as the buyer with the 1 milliard in money (which he has had from L), and buys commodities from S for 1 milliard. Instead of lying fallow with him as a hoard for payment of the next rent, now the 1 milliard circulates. S has now 2 milliards in money (1 milliard from L and 1 milliard from F). With these 2 milliards in money he buys commodities to the amount of 2 milliards from F. Now values to the amount of 5 milliards have been in circulation (3 milliards in commodities, 2 milliards in money). There has been a circulation of 1 milliard in money and 1 milliard in commodities, and a circulation of 2 milliards in money and 2 milliards in commodities. Of these 2 milliards in money, the milliard originating with the farmer circulates twice, the milliard originating with 5 only once. Now 2 milliards in money return to F, of which however only 1 milliard settles his balance; the other 1 milliard in money, which he himself had thrown into circulation because he took the initiative as buyer, flows back to him through circulation.

IV. *Fourthly:* S buys at once 2 milliards in commodities from F, with 2 milliards in money (1 milliard from L, and 1 milliard which he puts himself into circulation from his till). F buys back from S 1 milliard in commodities, thus returning to him 1 milliard in money; and F holds, as before, 1 milliard in money to settle the balance between him and S. Values to the amount of 5 milliards have circulated. There are two acts of circulation.

Of the 2 milliards in money which S returns to F, 1 milliard represents the money which F himself threw into circulation, and only 1 milliard the money which S threw

into circulation. Here 2 milliards in money instead of 1 milliard in money come back to F, but in fact he gets only 1 milliard, as he himself had thrown the other 1 milliard into circulation. That is, in case III. In case IV 1 milliard in money returns to S, but it is the 1 milliard which he got from his money-box, not from selling his commodities to L, and himself threw into circulation.

In case I and indeed in case II there is never more than 1 milliard in money circulating; but in case I it circulates three times and in case II it only once changes hands; this is merely due to the fact that in case II a high development of credit, and consequently economy in payments, is assumed; while in case I the movement is rapid; however, each time the money functions as means of circulation, and therefore the value at the two poles must each time appear twice, once in money and once in commodity. In case III and IV 2 milliards circulate, instead of 1 milliard as in I and II. This is because on one occasion in both cases (in case III by S as buyer who closes the circulation process, in case IV by S as buyer who opens the circulation process) commodity values to the amount of 2 milliards are at a single stroke thrown into circulation; that is, 2 milliards of commodities enter into circulation in a single act; it is assumed, moreover, that the commodities have to be paid for on the spot and not after the balance has been struck.

The most interesting thing about the movement is however the 1 milliard in money which in case III is left in the hands of the farmer, in case IV in the hands of the manufacturer, although in both cases the balance of 1 milliard is paid to the farmer, and he gets not a farthing more in case III, and not a farthing less in case IV. In these transactions, of course, the exchange is always an exchange of equivalents, and when we speak of a balance we mean only the equivalent value which is paid for in money instead of in commodities.

In case III F throws 1 milliard in money into circulation, and gets in exchange for it from S the equivalent in commodities, or 1 milliard in commodities. But then S buys commodities from him for 2 milliards in money. The first 1 milliard in money which he threw in thus comes back to him, because 1 milliard in commodities has been taken from him in exchange. This 1 milliard in commodities is paid for with the money which be had paid out. He gets the second 1 milliard in money in payment for the second 1 milliard in commodities. This balance is owed to him in money, because he had only bought in all 1 milliard of commodities, and commodities to the value of 2 milliards had been bought from him.

||435| In case IV S throws 2 milliards in money into circulation at once, for which he takes from F commodities for 2 milliards. With the money which S himself had paid him, F in turn buys from S commodities for 1 milliard and so the 1 milliard in money returns to S.

In case IV: S in fact gives F 1 milliard in commodities (the equivalent for 1 milliard in money) and 2 milliards in money, that is, 3 milliards; but S gets from F only 2 milliards in commodities. F has consequently to return to him 1 milliard in money.

In case III: F gives S in commodities the equivalent of 2 milliards in money, and 1 milliard in money. That is, 3 milliards in money. But he gets from S only 1 milliard in commodities, the equivalent of 1 milliard in money. S has consequently to return to him 2 milliards in money; he pays back 1 milliard in the money which F himself threw into circulation, and he himself throws 1 milliard into circulation. He keeps the balance of 1 milliard in money, but cannot keep 2 milliards in money.

In both cases S receives 2 milliards in commodities, and F 1 milliard in commodities plus 1 milliard in money, that

is to say, the balance in money. In case III, in addition to this, another 1 milliard comes to F, but this is only the excess of the money which he has thrown into circulation over what he has drawn from circulation in commodities. Similarly with S in case IV.

In both cases S has to pay a balance of 1 milliard in money, because he takes commodities to the value of 2 milliards out of circulation, and puts into it commodities only to the value of l milliard. In both cases F has to receive a balance of 1 milliard in money, because he has thrown 2 milliards in commodities into circulation and only drawn from it 1 milliard in commodities; the second 1 milliard must therefore be paid in money to him. In both cases, it is only this 1 milliard in money that can finally change hands. Since however 2 milliards are actually in circulation, this must flow back to the person who put it into circulation; and this holds good whether F, in addition to receiving a balance of 1 milliard out of circulation, has thrown into it another 1 milliard in money; or whether S, who has to pay only a balance of 1 milliard in money, has in addition advanced another 1 milliard in money.

In case III 1 milliard in money comes into circulation in excess of the quantity of money that would under different circumstances be needed for the circulation of this quantity of commodities, because F comes forward as the first buyer, and must therefore throw money into circulation, whatever his ultimate position may be. In case IV, in the same way, 2 milliards in money come into circulation, instead of only 1 milliard as in II, because first S comes forward as buyer at the outset, and secondly buys 2 milliards all at once. In both cases the money that *circulates* between these buyers and sellers can finally only be equal to the balance which one of them has to pay. For the money which S or F has expended in excess of this amount is paid back to him.

Let us assume that F buys commodities from S to the value of 2 milliards. This case, then, would look like this: F gives S 1 milliard in money for commodities. S buys commodities from F to the value of 2 milliards in money, as a result of which the first 1 milliard returns to F and l milliard into the bargain. F in turn buys commodities from S for 1 milliard in money, which brings this money back to S. At the end of the process F would have commodities to the amount of 2 milliards and the 1 milliard that he had originally, before the circulation process began; and S commodities for 2 milliards and 1 milliard in money which he too originally had. The 1 milliard in money of F, and the 1 milliard in money of S, would have played their role only as means of circulation and then would have flowed back—as money or in this case also as capital—to both the persons who had advanced them. Had they both used money as means of payment, they would have set off 2 milliards in commodities against 2 milliards in commodities; their accounts would have cancelled out and not a farthing would have circulated between them.

Thus the money which circulates as means of circulation between two persons who confront each other mutually as buyers and sellers returns to its source; there are three cases in which it can circulate.

[*First:*] The commodity values supplied balance each other. In this case the money returns to the person who advanced it to irculation and in this way used his capital to meet the costs of circulation. For example, if F and S each buys commodities for 2 milliards from the other, and S opens the dance, he buys commodities from F for 2 milliards in money. F returns to him the 2 milliards in money, buying with it 2 milliards in commodities from him. Thus S has both before and after the transaction 2 milliards in commodities and 2 milliards in money. Or when, as in the case cited previously, both advance the means of circulation to an equal amount, each gets back

what he had advanced to circulation—as above, 1 milliard in money to F and 1 milliard to S.

Secondly: The commodity values exchanged between the two parties do not cancel each other out. There is a balance to be paid in money. If, as above in case I, the circulation of the commodities has taken place in such a way that no more money has entered *into circulation* than is required for the payment of this balance— it being always only this sum that passes to and fro between the two parties—then it comes finally into the hands of the last seller, in whose favour the balance is.

Thirdly: The commodity values exchanged between the two parties are not equal to each other; there is a balance to be paid; but the circulation of the commodities takes place in such a form that more money circulates than is required to settle the balance; in this case the money in excess of this balance returns to the party who has advanced it. In case III to the man who receives the balance, in case IV to the one who has to pay it.

In the second category listed above the money only *returns* when the receiver of the balance is the first buyer, as for example between worker and capitalist. It changes hands, as [in case] II, when the other party comes forward as the first buyer.

||436| <Of course, all this only takes place on the assumption that the definite quantity of commodities is bought and sold between the same persons, so that each of them is alternately buyer and seller in relation to the other one, On the other hand let us assume that the 3 milliards of commodities are equally distributed among the commodity owners. A, A', A'', the sellers, and they are confronted by the buyers B, B', B''. If the three purchases take place simultaneously, that is to say, alongside each other, 3 thousand in money must circulate, so that each A is in possession of 1 thousand in money and each B is in

possession of 1 thousand in commodities. If the purchases follow each other, succeeding each other in time, the circulation of the same 1 thousand in money can only effect these if the metamorphoses of the commodities are interwoven, that is to say, when some persons function as buyers and sellers, even if not [in relation] to the same persons as in the case above, but as buyer in relation to one person, and as seller in relation to the other. Thus for example: (1) A sells to B for 1 thousand in money; (2) A buys with this 1 thousand from B'; (3) B' with the 1 thousand in money buys from A'; (4) A' with the 1 thousand in money from B''; (5) B'' with the 1 thousand in money from A''. The money would have changed hands five times between the six persons; but also commodities to the value of 5 thousand would have circulated. If commodities for 3 thousand are to be circulated, it would be like this: (1) A [buys] from B for 1 thousand in money; (2) B from A' for 1 thousand in money; (3) A' from B' for 1 thousand in money. Three changes of place as between four persons. It is M—C.>

The cases set out above do not contradict the law explained earlier: "that with a given rapidity of circulation of money and a given total sum of prices of commodities the quantity of the circulating medium is determined" (I, p. 85). In example 1 above, 1 thousand in money circulates three times, and in fact it circulates commodities to the amount of 3 thousand. The amount of money in circulation is consequently $3{,}000\ (\text{sum of prices})/3\ (\text{velocity})$ or $3{,}000\ (\text{sum of prices})/3\ \text{cycles}$ = 1,000 money.

In case III or IV the total prices of the commodities in circulation are, it is true, equal to 3,000 in money; but the rapidity of circulation is different. 2,000 in money circulates once, that is, 1,000 in money plus 1,000 in money. Of the 2,000, however, 1,000 circulates once more. 2,000 in money circulates two-thirds of the 3,000 in commodities, and half of it, 1,000 in money, circulates another third; one 1,000 in money circulates twice, but

another 1 000 in money circulates only once. The twofold circulation of 1,000 in money realises commodities whose prices are equal to 2,000 in money; and the single circulation of 1,000 in money realises commodities whose prices are equal to 1,000 in money—both together, equal to 3,000 in commodities. What then is the rapidity of circulation of the money in relation to the commodities which it circulates in this case? The 2,000 in money makes $1\,{}^{1}/_{2}$ cycles (this is the same thing as *first* the total sum circulates once, and then half of it again completes one cycle), that is, ${}^{3}/_{2}$. And in fact:

$${}^{3{,}000\ (\text{sum of prices})}/_{3/2\ \text{cycles}} = 2{,}000 \text{ in money.}$$

What is it then that determines the *different rapidity* of circulation of the money in this case?

Both in III and IV the difference arises from the fact that, in contrast to I —where the total amount of prices of the commodities circulating each time is never greater and never smaller than ${}^{1}/_{3}$ of the total prices of the aggregate quantity of commodities which circulate, commodities only to the amount of 1,000 in money circulate at any time—in III and IV, however, commodities for 2,000 circulate once, and commodities for 1,000 circulate once, that is, once two-thirds of the existing quantity of commodities, and once one-third. For the same reason, larger varieties of coin must circulate in wholesale trade than in retail trade.

As I have already observed (I, "[The] Circulation of Money"), the reflux of the money shows in the first place that the *buyer has in turn become seller*; and in fact it makes no difference whether in so doing he sells to the same person from whom he has bought, or not. If however the buying and selling is between the same persons, then the phenomena appear which have been the occasion of so many errors (Destutt de Tracy). The buyer becoming seller shows that new commodities are to be

sold. Continuity in the circulation of commodities — tantamount to its constant renewal (I, p. 78)—is, therefore, reproduction. The buyer can become in turn seller—as in the case of the manufacturer in relation to the labourer—without this denoting an act of reproduction. It is only the continuity, the repetition of this reflux, in relation to which it can be said that it denotes reproduction.

The reflux of money, when it represents the reconversion of the capital into its money form, necessarily shows the end of one cycle [i.e., turnover] and the beginning again of new reproduction, if the capital as such continues the process. In this case too he [the capitalist], as in all other cases, was the seller, C—M, and then became buyer, M—C; but it is only in M that his capital again possesses the form in which it can be exchanged for its reproductive elements, and here the C represents these reproductive elements. M—C here represents the transformation of the money-capital into productive or industrial capital.

Furthermore, as we have seen, the reflux of the money to its starting-point may show that the money balance in a series of purchases and sales is in favour of the buyer with whom the series of these processes opened. F buys from S for 1,000 in money. S buys from F 2,000 in money. Here the 1,000 in money flows back to F. As for the other 1,000, there is merely a change of place of the money between S and F.

||437| Finally, however, a reflux of the money to its starting-point may take place without indicating payment of a balance, both (1) when the reciprocal payments cancel each other out, and consequently there is no balance to be paid in money; and (2) when the transactions do *not* cancel out, and therefore a balance has to be paid. See the cases analysed above. In all these cases it makes no difference whether for example the

same S confronts F; S representing here in relation to F and F to S the total number of those selling to him and buying from him (exactly as in the example where payment of a balance is indicated by the reflux of the money). In all these cases the money flows back to the person who so to speak has advanced it to circulation. It has done its job in circulation, like bank-notes, and comes back to the person who laid it out. *Here it is only means of circulation. The final capitalists settle with each other, and so it comes back to the one who paid it out.*

We have therefore still to deal later on with the question we have held over; the capitalist draws more money out of circulation than he threw into it.

[6. Significance of the Tableau Économique in the History of Political Economy]

Back to Quesnay:

Adam Smith cites with some irony the Marquis de Mirabeau's hyperbolical statement:

> "There have been since the world began three great inventions... The first is the invention of *writing*....The second is *the invention* (!) of *money*.... 'The third is the *economical table*, the result of the other two, which completes them both" ([Smith, *Wealth of Nations*, O.U.P. edition, Vol. II, p. .300], Garnier, t. III, l. IV, ch. IX, p. 540).

But in fact it was an attempt to portray the whole production process of capital as a *process of reproduction*, with circulation merely as the form of this reproductive process; and the circulation of money only

as a phase in the circulation of capital; at the same time to include in this reproductive process the origin of revenue, the exchange between capital and revenue, the relation between reproductive consumption and final consumption; and to include in the circulation of capital the circulation between consumers and producers (in fact between capital and revenue); and finally to present the circulation between the two great divisions of productive labour—raw material production and manufacture—as phases of this reproductive process; and all this depicted in a *Tableau* which in fact consists of no more than five lines which link together six points of departure or return— [and this was] in the second third of the eighteenth century, the period when political economy was in its infancy—this was an extremely brilliant conception, incontestably the most brilliant for which political economy had up to then been responsible.

As regards the circulation of capital—its reproductive process, the various forms which it assumes in this process of reproduction, the connection between the circulation of capital and circulation in general (that is, not only the exchange of capital for capital, but of capital for revenue)—Adam Smith in fact only took over the inheritance of the Physiocrats and classified and specified more precisely the separate items in the inventory. But his exposition and interpretation of the movement as a whole was hardly as correct as its presentation in outline in the Tableau économique, in spite of Quesnay's false assumptions.

When moreover Adam Smith says of the Physiocrats: "Their works have certainly been of some service to their country" ([*Wealth of Nations*, O.U.P. edition, Vol. II, p. 2991, [Garnier], l.c., p. 538), this is an immoderately moderate statement of the significance for example of Turgot, one of the immediate fathers of the French revolution. |437||

* ||437| The passage from Proudhon referred to earlier runs: “The amount of mortgage debts, according to the best-informed writers, is 12 milliards; some put it as high as 16 milliards. The amount of debts on note of hand, at least 6. Limited-liability companies, about 2. The public debt, 8 milliards. Total: 28 milliards. All these debts—note this point—have their source in money lent, or deemed to be lent, at 4, at 5, at 6, at 8, at 12, and up to 15 per cent. I take 6 per cent as the average interest, as far as concerns the first three categories: that would be, then, on 20 milliards, 1,200 millions. Add the interest on the public debt, about 400 millions: in all, 1,600 millions annual interest, for a capital of 1 milliard” (p. 152). That is to say; 160 per cent. For “the amount of ready money, I will not say existing, but circulating in France, including the cash balance of the Bank, does not exceed 1 milliard, according to the most usual estimate” (p. 151). “When the exchange has been completed, the money is once more available, and can therefore give rise to a new loan...The money-capital, going from exchange to exchange, always returns to its source, and it follows that it can always be reloaned by the same hand and always profits the same person” (pp. 153-54). *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, Paris, 1850. |437||

Theories of Surplus Value, Marx 1861-3

[CHAPTER VII] Linguet

[Early Critique of the Bourgeois-Liberal View of the "Freedom" of the Labourer]

||438| Linguet, *Théorie des lois civiles, etc.*, Londres, 1767.

In accordance with the plan of my work socialist and communist writers are entirely excluded from the historical reviews. These reviews are only intended to show on the one hand in what form the political economists criticised each other, and on the other hand the historically determining forms in which the laws of political economy were first stated and further developed. In dealing with surplus-value I therefore exclude such eighteenth-century writers as Brissot, Godwin and the like, and likewise the nineteenth-century socialists and communists. The few socialist writers whom I shall come to speak of in this survey either themselves adopt the standpoint of bourgeois economy or contest it from its own standpoint.

Linguet however is not a socialist. His polemics against the bourgeois-liberal ideals of the Enlighteners, his contemporaries, against the dominion of the bourgeoisie that was then beginning, are given—half-seriously, half-ironically—a reactionary appearance. He defends Asiatic despotism against the civilised European forms of despotism; thus he defends slavery against wage-labour.

Vol. I. The only statement directed against Montesquieu: *l'esprit des lois, c'est la propriété*,* shows the depth of his outlook.

The only economists whom Linguet found to deal with were the Physiocrats.

The rich have taken possession of all the conditions of production; [hence] the *alienation of the conditions of production*, which in their simplest form are the natural elements themselves.

> "In our civilised countries, all the elements [of nature] are slaves" ([Linguet, *Théorie des lois civiles*..., Londres, 1767], p. 188).

In order to get hold of some of this wealth appropriated by the rich, it must be purchased with heavy labour, which increases the wealth of these rich persons.

> "Thus it is that all captive nature has ceased to offer to these children resources of easy access for the maintenance of their life. Its favours must be paid for by assiduous toil, and its gifts by stubborn labours" [p. 188].

(Here—in the gifts of nature—the Physiocratic view is echoed.)

> "The rich man, *wino has arrogated to himself the exclusive possession of it*, only at this price consents to restore even the smallest part of it to the community. *In order to be allowed to share in its treasures, it is necessary to labour to increase them*" (p. 189). "One must, then, renounce this chimera of liberty" (p. 190). Laws exist in order to "sanctify a primary usurpation" (of private property), "to prevent new usurpations" (p. 192). "They are, as it were, a conspiracy against the greater part of the human race" [p. 195] (that is, against those who own no property). "It is society which has produced the laws, and not the laws which have produced

> society" (p. 230). "Property existed before the laws" (p. 236).

Society itself—the fact that man lives in society and not as an independent, self-supporting individual—is the root of property, of the laws based on it and of the inevitable slavery.

On the one hand, there were peaceful and isolated husband-men and shepherds. On the other hand—

> "hunters accustomed to live by blood, to gather together in bands the more easily to entrap and fell the beasts on which they fed, and to concert together on the division of the spoils" (p. 279). "It is among the hunters that the first signs of society must have appeared" (p. 278). "*Real society came into being at the expense of the shepherds or husbandman, and was founded on their subjection*" by a band of hunters who had joined hands (p. 289). All duties of society were resolved into commanding and obeying "This degradation of a part of the human race, after it had produced society, gave birth to laws" (p. 294).

Stripped of the conditions of production, the labourers are compelled by need to labour to increase the wealth of others in order themselves to live.

> "It is the impossibility of living by any other means that compels our farm labourers to till the soil whose fruits they will not eat, and our masons to construct buildings in which they will not live. It is want that drags them to those markets where they await masters who will do them the kindness of buying them. *It is want that compels them to go down on their knees to the rich man in order to get from him permission to enrich him*" (p. 274).

> "Violence, then, has been the first cause of society, and force the first bond that held it together" (p. 302). "Their" (men's) "first care was doubtless to provide themselves with food... the second must have been to seek

to *provide themselves with it without labour*" (pp. 307-08). "They could only achieve this by *appropriating to themselves the fruit of other men's labour*" (p. 308). "The first conquerors only made themselves despots so that they could be idle with impunity, and kings, in order to have something to live on: and this greatly narrows and simplifies…the idea of domination" (p. 309). "Society is born of violence, and property of usurpation" (p. 347). "As soon as there were masters and slaves, society was formed" (p. 343). "From the beginning, the two ||439| pillars of the civil union were on the one hand the slavery of the greater part of the men, and on the other, the slavery of all the women… It was at the cost of three-fourths of its members that society assured the happiness, the opulence, the ease of the small number of property-owners whom alone it had in view" (p. 365).

Vol. II: "The question, therefore, is not to examine whether slavery is contrary to nature in itself, but whether it is contrary to the nature of society…it is inseparable from it" (p. 256). "Society and civil servitude were born together" (p. 257). "Permanent slavery…the indestructible foundation of societies" (p. 347).

"Men have only been reduced to depend for their subsistence on the liberality of another man *when the latter by despoiling them has become rich enough* to be able *to return* a small portion to them. His feigned generosity could be no more than a *restitution of some part of the fruits of their labours which he had appropriated*" (p. 242). "*Does not servitude consist* in this obligation to sow without reaping for oneself, to sacrifice one's well-being to that of another, to labour without hope? And did not its real epoch begin from he moment when there were men whom the whip and a few measures of oats when they were brought to the stable could compel to labour? It is only in a fully developed society that food seems to the poor *starveling* a sufficient *equivalent* for his liberty; but in n society in its early stages free men would be struck with horror at this

unequal exchange. It could only be proposed for *captives*. Only after they have been deprived of the enjoyment of all their faculties can it" [the exchange] "become a necessity for them" (pp. 244-45).

"*The essence of society…consists in freeing the rich man from labour*, giving him new organs, untiring members, which take upon themselves all the laborious operations *the fruits of which he is to appropriate*. That is the plan which slavery allows him to carry out without embarrassment. He buys men who are to serve him" (p. 461). "In suppressing slavery, no claim was made that either wealth or its advantages were suppressed… It was therefore necessary that things should remain the same except in name, It has always been necessary for the majority of men to continue to live in the pay of and in dependence on the minority *which has appropriated to itself all wealth*. Slavery has therefore been perpetuated on the earth, but under a sweeter name. Among us now it is adorned with the title of service" (p. 462).

By these servants, Linguet says, he does not mean lackeys and the like:

"The towns and the countryside are peopled by another kind of servant, more widely spread, more useful, more laborious, and known by the name of *journeymen, handicraftsmen*, etc. They are not dishonoured by the brilliant colours of luxury; they sigh beneath the loathsome rags which are the *livery* of penury. *They never share in the abundance of which their labour is the source.* Wealth seems to grant them a favour when it kindly accepts the *presents that they make to it*. It is for them to he grateful for *the services which they render to it*. It pours on them the most outrageous contempt while they are clasping its knees imploring *permission to be useful to it*. It has to be pleaded with to grant this, and in *this peculiar exchange of real generosity for an imaginary favour*, arrogance and disdain are *on the side of the receiver*, and servility,

anxiety and eagerness *on the side of the giver*. These are the servants who have truly replaced the serfs among us" (pp. 463-64).

"The point that has to he examined is: what effective gain the *suppression of slavery* has brought to them. I say with as much sorrow as frankness: all that they have gained is to be every moment tormented by the fear of death from hunger, a calamity that at least never visited their predecessors in this lowest rank of mankind" (p. 464). "He is free, you say. Ah! That is his misfortune. He is bound to no one; but also no one is bound to him. When he is needed, he is *hired at the cheapest price* possible. The meagre *wage* that he is promised is hardly equal to *the price of his subsistence for the day which he gives in exchange*. He is given *overlookers to compel him to fulfil his task quickly;* he is hard driven; he is goaded on, for fear that a skilfully concealed and only too comprehensible laziness may make him hold back half his strength; for fear that the hope of *remaining employed longer on the same task* may stay his hands and blunt his tools. *The sordid economy that keeps a restless watch on him overwhelms him with reproaches at the slightest respite he seems to allow himself, and claims to have been robbed* if he takes a moment's rest. When he has finished he is dismissed as be was taken on, with the coldest indifference, and without any concern as to whether the twenty or thirty sous that he has just earned for a hard day's labour ||440| will be enough to keep him *if he finds no work the following day*" (pp. 466-67).

"He is free! That is precisely why I pity him. For that reason, he is much less cared for in the labours in which be is used. His life is much more readily hazarded. The slave was precious to his master because of the money he had cost him. But the handicraftsman costs nothing to the rich voluptuary who employs him. Men's blood had some p rice in the days of slavery. They were worth at least as much as they could be sold for in the market. Since they

have no longer been sold they have no real intrinsic value. A pioneer is much less valued in an army than a pack-horse, because the horse is very costly and a pioneer can be had for nothing. The suppression of slavery brought these military calculations into civil life; and *since that epoch there has been no prosperous bourgeois who does not calculate in this way, as heroes do*" (p. 467)

"The day-labourers are born, grow up and are trained for" (are bred for) "the service of wealth without causing it the slightest expense, like the game that it massacres over its estates. It seems as if it really has the secret of which the unfortunate Pompey vainly boasted. Wealth has only to stamp on the ground, and from it emerge legions of hard-working men who contend among themselves for the honour of being at its disposal: if one among this crowd of mercenaries putting up its buildings or keeping its gardens straight disappears, the place that he has left empty is an invisible point which is immediately covered again without any intervention from anyone. A drop of the water of a great river is lost without regret, because new torrents incessantly succeed it. It is the same with labourers; the ease with which they can be replaced fosters the *rich man's*" (this is the form used by Linguet; not yet capitalist) "hard-heartedness towards them" (p. 468).

"These men, it is said, have no master…pure abuse of the word. What does it mean? they have no master—they have one, and the most terrible, the most imperious of masters, that is, *need*. It is this that reduces them to the most cruel dependence. *It is not one man in particular whose orders they must obey, but the orders of all in general.* It is not a single tyrant whose whims they have to humour and whose benevolence they have to court— which would set a limit to their servitude and make it endurable. *They become the valets of anyone who has money*, which gives their slavery an infinite compass and severity. It is said that if they do not get on well with one master they at

least have the consolation that they can tell him so and the power to make a change: but the slaves have neither the one nor the other. They are therefore all the more wretched. What sophistry! For bear in mind that the number of *those who make others work* is very small and the number of labourers on the contrary is immense" (pp. 470-71). "What is this apparent liberty which you have bestowed on them reduced to for them? *They live only by hiring out their arms. They must therefore find someone to hire them, or die of hunger. Is that to be free?*" (p. 472).

"What is most terrible is that the very smallness of this pay is another reason for reducing it. The more the day-labourer is driven by want, the cheaper he sells himself. The greater the urgency of his need, the less profitable is his labour. The despots for the moment whom he beseeches with tears to accept his services feel no shame in, as it were, feeling his pulse, to assure themselves that he has enough strength left; they fix the reward that they offer him by the degree of his weakness. The nearer they think he is to death from starvation, the more they deduct from what could keep him from it; and what the savages that they are give him is less to prolong his life than to delay his death" (pp. 482-83). The "independence" (of the day-labourer) "is one of the most baneful scourges that the refinement of modern times has produced. It augments the wealth of the rich and the poverty of the poor. The one saves everything that the other spends. What the latter is forced to economise is not from his superfluity but from what is indispensable to him" (p. 483).

"If today it is so easy to maintain these prodigious armies which join with luxury in order to bring about the extinction of the human race, it is only due to the suppression of slavery... It is only since there have no longer been slaves that debauchery and beggary make heroes at five sous a day" (pp. 484-85).

> "I find this" (Asiatic slavery) "a hundred times more preferable than any other way of existing, for men reduced to having to win their livelihood by daily labour" (p. 496).
>
> "Their" (the slaves' and the labourers') "chains are made of the same material and only differently coloured. Here they are black, and seem heavy: there they look less gloomy and seem hollower: but weigh them impartially and you will find no difference between them; both are equally forged by necessity. They have precisely the same weight, or rather, if they are a few grains more in one case, it is in the one whose external appearance proclaims that it is lighter" (p. 510).

He calls to the men of the French Enlightenment, in regard to the labourers:

> "Do you not see that the subjection, the annihilation—since it must he said—of this large part of the flock creates the wealth of the shepherds?... Believe me, in his interest" (the shepherd's), "in yours, and even in theirs, leave them" (the sheep) "with the conviction that they have that this cur who yelps at them is stronger by himself than they are all together. Let them flee with stupid fright at the mere sight of his shadow. Everyone benefits from it. It will make it easier for you to gather them in to fleece them for yourself. They are more easily guarded from being devoured by wolves. [441] It is true, only to he eaten by men. But anyway that is their fate from the moment they have entered a stable. Before talking of releasing them from there, start by overthrowing the stable, that is to say, society" (pp. 512-13). |X-441||

* The sprit of the laws is property.—Ed.

Addenda

[1. Hobbes on Labour, on Value and on the Economic Role of Science]

||XX-1291a| According to Hobbes *science*, not *operative labour*, is the mother of the arts.

> "Arts of public use, as fortification, making of engines, and other instruments of war; because they confer to defence, and victory, are power; and though the true mother of them, he *science, namely the mathematics;* yet, because they are brought into the light, by the hand of the artificer, they he esteemed, the midwife passing with the vulgar for the mother, as his issue" (*Leviathan*, in *English Works* of Thomas Hobbes, edit. by Molesworth, London, 1839-44, t. III, p. 75).

The product of mental labour—science—always stands far below its value, because the labour-time needed to reproduce it has no relation at all to the labour-time required for its original production. For example, a schoolboy can learn the binominal theorem in an hour.

Labour power:

> "The *value*, or *worth of a man*, is as of all other things, his price; that is to say, so much as would be given *for the use of his power*" (l.c., p. 76). "*A man's labour*" (that is, the use of his labouring power) "also, is a *commodity* exchangeable for benefit, as well as any other *thing*" (l.c., p. 233).

Productive and unproductive labour:

> "It is not enough, for a man to *labour* for the maintenance of his life; but also to *fight*, if need be, for the *securing of his labour*. They must either do as the Jews did after their return from captivity, in re-edifying the temple, build with one hand, and hold the sword in the other; or else they must hire others to fight for them" (l.c., p. 333). |XX-1291a||

[2.] Historical: Petty

[Negative Attitude to Unproductive Occupations. Germs of the Labour Theory of Value. Attempt to Explain Wages, Rent of Land, the Price of Land and Interest on the Basis of the Theory of Value]

||XXII-1346| Petty, *A Treatise of Taxes, and Contributions*, London, 1667.

Our friend Petty has quite a different "population theory" from Malthus. According to him a check ought to be put upon the "breeding" faculties of parsons, and the "Celibacy" again put upon them.

All this belongs to the [sectional] *productive and unproductive labour.*

a) *Parsons:*

> "For as much as there he more Males than Females in England....it were good for the Ministers to *return to their Coelibat;* or that none should be Ministers, whilst they were* married... And then our *unmarried Parson* might live as well *with half*, as now with the whole of his Benefice" (pp. 7-8).

b) *Merchants and Retailers:*

> "A large proportion of these also might be retrenched, who *properly and originally earn nothing from the Publick;* being only a kind of *Gamesters, that play With one another* ||1347| *for the labours of the poor;* yielding of themselves no fruit at all, otherwise than as Veins and Arteries, to *distribute* forth and back the blood and nutritive juyces of the Body Politick, namely, the product of Husbandry and Manufacture" (p.10).

c)Lawyers, physicians, officials, etc.:

> "If the numerous Offices and Fees relating to the *Government, Law*, and *Church;* and if the number of Divines, Lawyers, Physicians, Merchants, and Retailers were also lessened, all which do receive *great Wages for little work done* to the Publick, with how much greater ease would common expenses he defrayed?" (p.11).

d) Paupers (supernumeraries):

> "Who shall pay these men? I answer, every body... I think 't is plain, they ought neither to be starved, nor hanged, nor given away" [to another nation] etc. (p. 12). Either they are given "the superfluity", or if there is none, "in case there be *no overplus...;* 't is fit *to retrench a little* from the delicacy of others feeding in quantity or quality" (pp. 12-13). The labour imposed on them (the supernumeraries) may be of any kind; only it must be "without expense of Foreign Commodities"; the important thing is to "keep their minds to discipline and obedience, and their bodies to a patience of more profitable labours when need shall require it" (p. 13). The best "Imployments be" [for them] "The making of Bridges and Cawseys. The working in Mines", etc.* (p. 12).

Population—wealth:

> "*Fewness of people, is real poverty;* and a nation wherein are eight Millions of people, are more than twice as rich as the same scope of Land wherein are but four" (p. 16).

On (a) above (*Parsons*). Petty handles the priests with exquisite irony:

> "Religion best flourisheth when the Priests are most mortified, as...the Law...best flourisheth when Lawyers have least to do" (p. 57). He advises the parsons in any case "*not to breed more Church-men that the Benefices* as they now stand shared out will receive". For example, with 12,000 benefices in England and Wales, "it will not be safe to breed up 24,000 Ministers". For then the 12,000 unprovided for will enter into competition, "which they cannot do more easily, than by persuading the people, that the twelve thousand Incumbents do poyson or starve their Souls" (an allusion to the English religious war) "and misguide them in their way to Heaven" (p. 57).

Origin of surplus-value and how to compute it. His treatment is somewhat confused, but in all the grappling with ideas striking passages can be found here and there.

Petty distinguishes between *natural price, political price, true price currant* (p. 67). By *natural price* he means in fact *value*, and it is only this that concerns us here, since ||1348| the determination of surplus-value *depends on the determination of value.* In this treatise he in fact determines the *value of commodities* by the comparative *quantity of labour* they contain.

> "But before we talk too much of *Rents*, we should endeavour to explain the misterious nature of them, with reference as well to *Money, the Rent of which we call Usury;* as to that of *Lands and Houses*" (p. 23).

a) The first question is, what is the *value* of a commodity, or more particularly, of corn?

> "If a man can bring to London an ounce of Silver out of the Earth in Peru, *in the same time* that he can produce a Bushel of Corn, then one is the natural price of the other; now if by reason of new and more easie Mines a man can get two ounces of Silver as easily as formerly he did one, then Corn will be as cheap as ten shillings the Bushel, as it was before at five shillings caeteris paribus" (p. 31). "*Let* the production of a Bushel of [...] Corn he supposed of *equel labour* to *that of producing an ounce of Silver*" (p. 66). This is, in the first place, the "real and not an imaginary way of computing the prices of Commodities" (p. 66).

ß) The second point, which has now to be examined, is the *value of labour*.

> "The Law... *should allow the Labourer but just wherewithal to live;* for if you allow double, then he works but half so much as he could have done, and otherwise would; *which is a loss to the Publick of the fruit of so much labour*" (p. 64).

The value of labour is therefore determined by the necessary means of subsistence. The labourer is impelled to surplus production and surplus-labour only by being forced to use the whole of the labour-power within his capacity in order to get even as much as be *just needs to live*. However, the cheapness or dearness of his labour is determined by two factors: natural fertility and the standard of expenditure (needs) conditioned by the climate.

> "Natural *dearness and cheapness* depends upon the *few or more hands requisite to necessaries of Nature:* As Corn is cheaper where *one man* produces Corn for ten, than where he can do the like but for six; and withal, according as the Climate disposes men to a necessity of spending more or less" (p. 67).

g) For Petty the *surplus* exists only in two forms: *rent of land* or *rent of money* (usury). The latter he derives

from the former. For him, as later for the Physiocrats, the first is the *true form* of surplus-value (but at the same time he explains that corn is intended to cover all necessaries of life, as in the "Lord's Prayer" <Our Father> the word "Bread doth").

In developing his ideas he presents rent (the surplus-value) not only as the excess drawn by the employer beyond the necessary time of labour, but also as the excess of surplus-labour of the producer himself over his wages and the replacement of his own capital.

> "Suppose a man could with his own hands plant a certain scope of Land with Corn, that is, could Digg, or Plough; Harrow, Weed, Reap, Carry home, Thresh, and Winnow so much as the Husbandry of this Land requires; and had withal *Seed* wherewith to sow the same. I say, that when this man *hath subducted his seed out of the proceed of His Harvest*" (that is, in the first place deducted from the product an amount equivalent to the constant capital), ||1349| "and also what himself bath both eaten and given to others in exchange for Clothes, and other Natural necessaries; that the *Remainder of Corn*, is the *natural and true Rant of the Land for that year;* and the *medium of seven years, or* rather of so many years as makes up the Cycle, *within which Dearth and Plenties make their revolution*, doth give the ordinary Rent of the Land in Corn" (pp. 23-24).

In fact for Petty, therefore, since the value of corn is determined by the labour-time contained in it, and the rent is equal to the total product minus wages and seed, rent is equal to the surplus-produce in which the surplus-labour is materialised. Rent here includes profit; the latter is not yet separated from rent.

In the same ingenious way Petty goes on to ask:

> "But a further, though collateral question may be, *how much English money* this *Corn or*

> *Rent is worth;* I answer, *so much as the money* which another single man can save *within the same time*, over and above his expence, if he employed himself wholly to produce and make it; viz. Let another man go travel into a Countrey where is Silver there Dig it, Refine it, bring it to the same place where the other man planted his Corn; Coyn it, etc., the same person, all the while of his working for Silver, gathering also food for his necessary livelihood, and procuring himself covering, etc. I say, the Silver of the one *must be esteemed of equal value with the Corn of the other:* the one, being perhaps twenty Ounces and the other twenty Bushels. From whence it follows that the price of a Bushel of this Corn to he an Ounce of Silver" (p. 24).

The difference in the kind of labour, Petty expressly notes, is here quite immaterial; all that matters is the *labour-time*.

> "And forasmuch as possible there may be more Art and Hazard in working about the Silver, then about the* Corn, yet all comes to the same pass; for let a hundred men *work ten years* upon Corn, and *the same number of men the same time*, upon Silver; I say, that the *neat proceed* of the Silver is the *price of the whole neat proceed of the Corn*, and like parts of the one, the price of like parts of the other" (p. 24).

After thus explaining rent—which here is equivalent to the total *surplus-value*, profit included—and its expression in money, he then sets out, again in a very brilliant way, to determine the *money value of land*.

> "Wherefore we would he glad to find *the natural value of the Fee-simple* of Land, though but no better than we have done that of the *usus fructus* above mentioned... Having found the *Rent or value of the usus fructus per annum*, the question is, *how many years purchase* (as we usually say) is the *Fee-simple* naturally worth? If we say an infinite number, then an acre of Land would be equal in value to a thousand acres of the same Land;

> which is absurd, and infinity of Units being equal to an infinity of Thousands: wherefore we must pitch upon some *limited number*, and that I apprrehend [...] the number of years, which I conceive one man of fifty years old, another of twenty-eight, and another of seven years old, all being g alive together may be thought to live; that is to say, of a Grandfather, Father and Child; few men having reason to take care of more remote Posterity... Wherefore I pitch the *number of years purchase, that any Land is naturally worth*, to be the ordinary ||1350| extent of three such persons their lives. Now in England we esteem three lives equal to one and twenty years, and consequently the *value of Land*, to be about the *same number of years purchase*" (pp. 25-26).

After resolving rent into *surplus-labour* and consequently *surplus-value*, Petty explains that land is nothing but the capitalised rent, that is to say, a *definite number of years' rent* or the total amount of the rents for a definite number of years.

In fact, rent is *capitalised* or reckoned as the *value of land in this way:*

Let one acre yield an annual rent of £10. If the rate of interest is 5 per cent, then £10 represents the interest on a capital of £200, and, as the interest at 5 per cent replaces the capital in 20 years, the value of the acre would be £200 (20´£10). Capitalisation of rent therefore depends on the rate of interest. If the rate of interest were 10 per cent, it would represent the interest on a capital of £100 or ten years' purchase.

But as Petty starts from the *rent of land* as the general form of surplus-value, which includes profit, he cannot take the rate of interest on capital as something given; on the contrary, he has to deduce it from rent as a *special form* (as Turgot also does-quite consistently from his own standpoint). In what way then is he to determine the

number of years—the number of years' rent —which forms the *value of land?* A man is only interested in buying as many yearly rentals as the years during which lie has "to take care" of himself and his immediate posterity; that is, as long as an *average man*, grandfather, father and child, lives, and on the "English" reckoning this is twenty-one years. Therefore what lies beyond the twenty-one years "*usus fructus*" has no value for him. Consequently he pays for the *usus fructus* for twenty-one years, and this constitutes the *value of the land*.

In his ingenious way he gets himself out of the difficulty; but the important thing here is,

firstly, that *rent*, as the expression of the total *agricultural surplus-value*, is derived not from the land but from Labour, [and is presented as] the surplus of labour in excess of what is necessary for the subsistence of the labourer;

secondly, that the *value of land* is nothing but the rent purchased in advance for a certain number of years—a *transmuted* form of rent itself, in which for example twenty-one years surplus-value (or labour) appears as the *value of the land;* in a word, *the value of land* is nothing but *capitalised rent*.

Such is Petty's deep insight into the matter. From the standpoint of the *buyer* of rent (i.e., of land) *rent* thus appears merely as *interest on his capital* used to buy it; and in this form rent has become completely unrecognisable and appears as *interest on capital*.

After Petty has thus determined the *value of land* and the *value of the annual rental*, he is able to derive the rent of money or usury as a secondary form.

> "As for *Usury*, the least that can be, is the *Rent* of *so much Land as the Money lent*

will buy, where the Security is undoubted" (p. 28).

Here interest is presented as determined by the *price of rent*, whereas on the contrary the *price of rent* or the *purchase value of land* is determined by interest. But this is quite consistent, as *rent* is presented as the general form of surplus-value and therefore *interest on money* must be derived from it as a secondary form.

Differential rent. Of this too the first notion is to be found in Petty. He derives it not from the *different* fertility of pieces of land of the same size, but from the *different position*, [the different] distance from the market of *pieces of land of equal fertility*, which as we know is one element in differential rent. He says:

||1351| "As great need of Money heightens Exchange, so doth great need of Corn raise *the price* of that likewise, and *consequently* of the *Rent of the Land that bears Corn*" (here therefore he says explicitly that the *price* of corn determines rent, it being implicit in the earlier analysis that rent does not determine the *value* of corn) "and *lastly of the Land itself;* as for example, if the Corn which feedeth London, or an Army, be brought forty miles together,* then the *Corn growing within a mile of London*, or the quarters of such Army, *shall have added unto its natural price*, so much as the charge of bringing it thirty nine miles doth amount unto... Hence it comes to pass, that *Lands intrinsically alike* near populous places, such as where the Perimeter of the Area that feeds them is great, will not only *yield more Rent* for these Reasons, but also more years purchase than in remote places", etc. (p. 29).

Petty also mentions the second cause of differential rent—the *differing fertility* of land and therefore the *differing productivity* of labour on equal areas of land:

> "*The goodness or badness*, or the value of Land depends *upon the greater or lesser share of the product given for it in proportion to the simple labour bestowed to raise the said Product* " (p. 67).

Petty's exposition of differential rent is therefore *better than that of Adam Smith*. |XXII-1351||

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||XXII-1397| [Petty,] *A Treatise of Taxes, and Contributions*, London, 1667. *Supplementary points*.

1. *On the quantity of circulating money* which a nation needs, pp. 16-17.

His view of *total production* is shown by the following passage:

> "If there he 1,000 men in a Territory, and if 100 of these can raise necessary food and rayment for the whole 1,000; if 200 more make as much Commodities, as other Nations will give either their Commodities or Money for, and if 400 more be imployed in the Ornaments, pleasure, and magnificence of the whole? if there be 200 Governours, Divines, Lawyers, Physicians, Merchants, and Retailers, making in all 900, the question is", etc.—what happens to the paupers ("supernumeraries") (p. 12).

In his analysis of rent and of its valuation in money, for which he takes as the basis *equal labours* (quantities), Petty remarks:

> "This, I say to he the *Foundation* of *equalising and balancing of values;* yet in the superstructures and practices hereupon, I confess there is much variety and intricacy" (p. 25).

||1398| 2. What he was much preoccupied with is the "*natural Par between Land and Labour":*

> "Our Silver and Gold we *call* by several names, as in England by Pounds, Shillings, and Pence; all which may he called and understood by either of the three. But that which I would say upon this matter is, that all things ought to he *valued by two natural Denominations, which is Land and Labour;* that is, we ought to say, a Ship or Garment is worth such a measure of Land, with such another measure of Labour; forasmuch as both Ships and Garments were the *Creatures of Lands* and *mens Labours thereupon:* This being true, we should be glad to find out a *natural Par between Land and Labour*, so as we might express the value by either of them alone, as well or better than by both, and reduce one into the other, as easily and certainly, as we reduce Pence into Pounds" (p. 25).

For this reason Petty seeks the "*natural values* of the *Fee-Simple* of Land", after he has found the monetary expression of rent.

Running alongside of each other through his work there are three ways of determining value:

a) *The magnitude of value*, determined by equal labour-time, *labour* being here considered *as the source of value*.

b) *Value* as the form of social labour. Hence money is the *true form of value*, although in other passages he knocks down all the illusions of the Monetary system. He is therefore *defining the concept*.

c) Labour as the source of exchange-value is confused with labour as the source of use-value; which presupposes material provided by nature (land). In fact, he "cuts" the "Par" between labour and land by describing the *Fee-simple* of the latter as *capitalised* rent—therefore not treating land as material provided by nature for concrete labour.

3. With reference to the *rate of interest* he says:

> "Of the vanity and fruitlessness of making *Civil Positive Laws* against *the Laws of Nature*" (i.e., the laws arising from the nature of bourgeois production) "I have spoken elsewhere" (l.c., p. 29).

4. In regard to *rent: surplus-value* consequent on the *greater productivity of labour:*

> "If the said Shires by greater labour than now is used, (as by Digging instead of Ploughing, Setting instead of Sowing, picking of choice Seed instead of taking it promiscuously, steeping it instead of using it wholly unprepared, and manuring the ground with Salt instead of rotten Straw, etc.) could be fertilised, then will *the Rent* be as much more advanced, as the *excess of increase exceeds that of the labour*" (p. 32).

([By increase of labour] he means here the *price* or *wages of labour*.)

5. *Raising [the value] of money* (Chapter XIV).

6. The passage quoted earlier "if you allow double, then he works but half so much, etc." must be taken to mean: If the labourer received for six hours the value of six hours, then he would receive *double* what he now receives —the value of six for twelve. He would then work only six, "which is a loss to the Publick", etc .

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Petty, *An Essay Concerning the Multiplication of Mankind* (1682). Division of labour (pp. 35-36).

***

[Petty, *The*] *Political Anatomy of Ireland* (1672) and *Verbum Sapienti* (London edition 1691).

1. "This brings me to the most important Consideration in *Political Oeconomies*, viz, how to make a *Par and Equation* between Lands and Labour, so as to express the Value of any thing by either alone" (pp. 63-64).

In fact, the task in this connection is only to resolve the *value of land* itself into *labour*.

||1399| 2. This work was written later than the one examined earlier.

> "The *days food* of an *adult Man*, at a Medium, and *not the days labour, is the common measure of Value*, and seems to be as regular and constant as the value of fine Silver... Wherefore I *valued* an Irish Gabbin at the *number of days food, which the Maker spent in building of it*" (p. 65).

This later statement is quite Physiocratic.

> "That some Men will eat more than others, is not material, since by a days food we understand $^{1}/_{100}$ part" [of the food that 100 men] "of all Sorts and Sizes will eat, so as to Live, Labour, and Generate" (p. 64).

But what Petty is searching for here in the *statistics* of Ireland is not the *common* measure of value, but the measure of *value* in the sense that *money* is the measure of value.

3. *Quantity of money and wealth of the nation* (*Verbum Sapienti*, p. 13).

4. *Capital.*

> "What we call the Wealth, Stock, or Provision of the Nation, being the effect of the former or past labour, should not be conceived to differ from efficiencies in being" (p. 9).

5. *Productive power of labour*

> "We said, That half the People by a very gentle labour, might much enrich the Kingdom…upon what shall they employ themselves. To which I answer in general, Upon producing Food and Necessaries for the whole People of the Land, *by few hands;* whether by *labouring harder*, or by the *introducing the Compendium, and Facilitations of Art*, which is equivalent to what men vainly hoped from *Polygamy*. For as much as he that can do the Work of five men by one, effects the same as the begetting four adult Workmen" (p. 22). "*Cheapest food*…will be when Food also *is raised, by fewer hands than elsewhere*" (p. 23).

6. Purpose of men and goal (p. 24).

7. *On money, see* also the *Quantulumcunque* (1682). |XXII-1399||

[3.] Petty, Sir Dudley North, Locke

||XXII-1397| By comparing North's and Locke's writings with Petty's *Quantulumcunque* (1682), *A Treatise of Taxes, and Contributions* (1662), [and *The Political] Anatomy of Ireland* (1672), their indebtedness to Petty can be seen in connection with (1) *lowering of interest:* (2) raising and abasing of money;

(3) *North's* calling interest the rent of money, etc.

North and Locke wrote their works at the same time and on the same occasion: *Lowering of Interest* and *Raising of money*. But [they have] opposite views. With Locke it is the "*want of money*" that is responsible for the high rate of interest and in general for the fact that things do not fetch their real prices, and the

revenues to be paid out of them. North shows the opposite, that it is not want of money but of capital or revenue. We find in his works the first definite concept of *stock* or *capital*, or rather *of money* as a mere *form of capital*, in so far as it is not means of circulation. In Sir Dudley North's writings we find the first correct conception of interest as opposed to Locke's idea. |XXII-1397||

[4.] Locke

[Treatment of Rent and Interest from the Standpoint of the Bourgeois Theory of Natural Law]

||XX-1291a| Taking Locke's general doctrine of labour together with his doctrine of the *origin of interest* and *rent*—for he considers surplus-value only in these specific forms—surplus-value is nothing but *another person's labour*, surplus-labour, which land and capital—the conditions of labour—enable their owners to appropriate. And ownership of a greater quantity of conditions of labour than one person can himself put to use with his own labour is, according to Locke, a *political* invention that contradicts the law of nature on which private property is founded. ||1292a|

<For *Hobbes* too labour is the sole source of all wealth, apart from those gifts of nature which are to be found already in a consumable state. God (nature) "either *freely giveth*, or *for labour selleth* to mankind" (*Leviathan*) [In: *The English Works* of Thomas Hobbes... , now first collected and edited by...Molesworth, Vol. III,

London, 1839, p. 232]. But for Hobbes it is the sovereign who distributes property in land at his pleasure.>

The relevant passages [in Locke] are as follows:

> "Though the *earth*, and all inferior creatures, he common to all men, yet every man has a property in his own person: this nobody has any right to but himself. The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property"(*Of* [*Civil*] *Government*, Book II, Chapter V; *Works*, 7th edit., 1768, Vol. II, p. 229).
>
> "His labour hath taken it out of the hands of nature, where it was common, and belonged equally to all her children, and hath thereby appropriated it to himself" (l.c., p. 230).
>
> "The same law of nature, that does by this means give us property, does also bound that property too... As much as any one can make use of to any advantage of life before it spoils, so much he may by his labour fix a property in: whatever is beyond this, is more than his share, and belongs to others" (l.c.).
>
> "But the chief matter of property being now not *the fruits of the earth*", etc., "but the *earth* itself... As much land as a man tills, plants, improves, cultivates, and can use the product of, so much is his property. He by his labour does, as it were, enclose it from the common" (l.c.).
>
> "Subduing or cultivating the earth, and having dominion, we see are joined together. The one gave title to the other" (l.c., p. 231).
>
> "The measure of property nature has well set *by the extent of men's labour*, and the conveniences of life: no man's labour could

> subdue, or appropriate all; nor could his enjoyment consume more than a small part; so that it was impossible for any man, this way, to intrench upon the right of another, or acquire to himself a property, to the prejudice of his neighbour. … This measure did confine every man's possession to a very moderate proportion, and such as he might appropriate to himself, without injury to any body, in the first ages of the world… And the same measure *may be allowed still* without prejudice to any body, as full as the world seems" (pp. 231-32).

Labour gives things almost all their value <*value* here is equivalent to use-value, and labour is taken as concrete labour, not as a quantum; but the measuring of exchange-value by labour is in reality based on the fact that the labourer creates use-value>. The remainder of use-value which cannot be resolved into labour is the gift of nature, and hence in its essence *common property*. What Locke therefore tries to show is not the contradiction—that property can nevertheless be acquired by other procedures than labour—but how, in spite of the common property in nature, individual property could be created by individual labour.

> "*It is labour indeed that put* the difference of value on every thing…*

Of the products of the earth useful to the life of man…ninety-nine hundredths are wholly to be put on the account of labour" (p. 234).

> "It is labour then which puts the greatest part of the value upon land" (p. 235).

> "Though the things of nature are given in common, yet man, by *being master of himself*, and *proprietor of his own person*, and the actions or labour of it, had still in himself the great foundation of property" (p. 235).

One limit to property is therefore *the limit of personal labour;* the other, that a man should not amass more things than he can use. The latter limit however is extended by exchange of perishable products for *money* (apart from other exchanges):

> "He might heap as much of these *durable* things as he pleased; the exceeding of the bounds of his just property" <apart from the *limit* of his personal labour> "not lying in the largeness of his possession, but the perishing of any thing uselessly in it. And thus came in the use of money, some lasting thing that men might* keep without spoiling, and that by mutual consent men would take in exchange ||1293a| for the truly useful, but perishable supports of life" (p. 236).

Thus arises the inequality of individual property, though the *limit of personal labour* remains.

> "This partage of things in an inequality of private possessions, men have made practicable out of the bound s of society, and without compact; only by putting a value on gold and silver, and tacitly agreeing in the use of money" (p. 237).

We must now compare with this the following passage from Locke's work on interest, not forgetting that according to him natural law makes *personal labour* the limit of property:

> "Let us next see how it" (money) "comes to be of the same Nature with Land, by yielding a certain yearly Income, which we call Use or Interest. For Land produces naturally something new and profitable, and of value to Mankind; but money is a barren Thing, and produces nothing, but by Compact, *transfers that Profit, that was the Reward of one Man's Labour, into another Man's Pocket*. That which occasions this, is the unequal Distribution of Money; which Inequality has the same Effect too upon Land, that it has upon Money. ... For as the unequal Distribution of

> Land (you have more than you can, or will manure, and another less) brings you a Tenant for your Land; and the same unequal Distribution of Money... brings me a Tenant for my Money: So *my Money is apt in Trade, by the Industry of the Borrower*, to produce more than 6 per cent, to the Borrower, as well as your Land, *by the Labour of the Tenant, is* apt to produce more Fruits, than his Rent comes *to" (Folio edition of Locke's Works*, 1740, Vol. II [p. 19].)

In this passage Locke has in part the polemical interest of showing landed property that its rent is in no way different from usury. Both "transfer that Profit, that** was the Reward of one Man's Labour, into another Man's Pocket" through the unequal distribution of the conditions of production.

Locke's view is all the more important because it was the classical expression of bourgeois society's ideas of right as against feudal society, and moreover his philosophy served as the basis for all the ideas of the whole of subsequent English political economy. |XX-1293a||

[5.] North [Money as Capital. The Growth of Trade as the Cause of the Fall in the Rate of Interest]

||XXIII-1418| Sir Dudley North: *Discourses upon Trade, etc.*, London, 1691. (Supplementary notebook C).

This work, like Locke's economic writings, is in direct connection with and directly based on Petty's works.

The work is mainly concerned with *commercial capital*, and so it is not relevant here, though it shows masterly skill in the field with which it deals.

It is particularly remarkable that from the time of the Restoration of Charles II up to the middle of the eighteenth century there were continual complaints from the landlords about the fall in rents (just as the price of wheat continually declined especially from? onwards). Although the industrial capitalist class played a considerable part in the compulsory reduction of the rate of interest (from the time of Culpeper and Sir Josiah Child), the real protogonist of this measure was the *landed interest*. The "*value of land*" and the "raising of it" were proclaimed to be in the national interest. (Just as on the other hand from about 1760 the rise in rents, in the value of land and in the price of corn and provisions, and the complaints of the manufacturers on this score, form the basis of the economic investigations on this subject).

With few exceptions it is the struggle between moneyed interest and landed interest that fills the century from 1650 to 1750, as the nobility, who lived in the grand style, saw with disgust how the usurers had got their hands on them and, with the building up of the modern credit system and the national debt at the end of the seventeenth century, faced them with overwhelming power in the sphere of legislation, etc.

Already *Petty* speaks of the landlords' complaints about the fall in rents and their opposition to the improvements (look up the passage). He defends the usurer as against the landlord and puts rent of money and rent of land on the same footing.

Locke reduces both to exploitation of labour. He takes the same standpoint as Petty. Both oppose the compulsory regulation of interest. The landed interest

had noted that the *value of land* rose when interest fell. At a given level of rent, its *capitalised expression*, i.e., the value of land, falls or rises in inverse relation to the rate of interest.

The third writer to follow this line of Petty's is *Sir Dudley North*, in the work referred to above.

This is the first form in which *capital* starts its revolt against *landed property*, as in fact *usury* was one of the principal agents in the accumulation of capital—i.e., through its co-proprietorship in the landlord's revenues. But industrial and commercial capital go more or less hand in hand with the landlords against this outmoded form of capital.

> "As the Landed Man letts his Land, so these" (who have "*Stock* for Trade [...] who* either have not the skill, or care not for the trouble of managing it in Trade") "lett their *Stock;* this latter is call'd *Interest*, but is only *Rent* for Stock" <here, as also in Petty's writings, it can be seen how rent, to those just emerging from the Middle Ages, ||1419| appears as the primary form of surplus-value)> "as the other is for Land, And in several Languages, hiring of Money, and Lands, are Terms of common use; and it is so also in some Countries in England. Thus to be a *Landlord*, or a *Stock-lord* is the same thing, the Landlord hath the advantage only in this: That his Tenant cannot carry away the Land, as the Tenant of the other may the Stock; and therefore Land ought to yield *less profit* than Stock; which is let out at the greater hazard " (p.4).

Interest. North seems to have been the first to have a correct conception of interest, for by *stock*, as will be seen from the passages next quoted, he means not only money, but capital (as indeed even Petty distinguishes between *stock and money*. Locke considered that interest was determined exclusively by the quantity of money; so did Petty. *See the passages in Massie on this*.).

> "If there be more Lenders than Borrowers, Interest will…fall; …it is not low Interest makes Trade, but *Trade increasing, the Stock of the Nation* makes Interest Low" (p.4).

> "Gold and Silver, and, out of them, Money are nothing but the Weights and Measures, by which Traffick is more conveniently carried on, than could be done without them: and also a proper Fund fur a *surplusage of Stock to be deposited in*" (p.16).

Price and money. As the price is nothing but the *equivalent* of the commodity expressed in *money*, and, when we are dealing with a *sale*, the commodity realised in money—that is, it represents the *commodity* as *exchange-value* in order to change it subsequently into a use-value again—it is one of the earliest recognitions of the fact that in this transaction we are dealing with gold and silver only as a *form of existence of the exchange-value* of commodities, as a *phase in their metamorphosis*, not with gold and silver as such. North puts this very felicitously for his time.

> "Money being…the Common Measure of Buying and Selling, every body who hath any thing to sell, and cannot procure Chapmen for it, is presently apt to think, that *Want of Money in the Kingdom*, or Country is the cause why his Goods do not go off; and so, want of Money, is the common Cry; which is a great mistake…

> "What do these People want, who cry out for Money? I will begin with the *Beggar*…it is not Money, but Bread, and other Necessaries for Life that he wants…the Farmer complains, for the want of Money…he thinks that were more Money in the Country, he should have a Price for his Goods. Then it seems Money is not his want, but a Price for his Corn, and Cattel, which he would sell, but cannot…why he cannot get a price? …1. Either there is too much Corn and Cattel in the Country, so that most who come to Market have need of selling, as he hath, and few of buying; Or 2. There wants the usual vent abroad, by Transportation, as in time of War,

> when Trade is unsafe, or not permitted; Or 3. The Consumption fails, as when men by reason of Poverty, do not spend so much in their Houses as formerly they did; wherefore it is not the increase of specifick Money, which would at all advance the Farmers Goods, but the removal of nay of these three Causes, which do truly keep down the Market.
>
> "The Merchant and Shop-keeper want Money in the same manner, that is, they want a Vent for the Goods they deal in, by reason that the Markets fail" (pp 11-12).

Further: Capital is *value which produces surplus-value, whereas in the building up of a hoard the crystallised form of exchange-value* as such is the aim. One of the earliest discoveries of the classical economists is therefore the antithesis between the *formation of a hoard* and *using money to make profit*, that is to say, the presentation of *money as capital*.

> "No Man is richer for having his Estate all in Money, Plate, etc., lying by him, but on the contrary, he is for that reason the poorer. That Man is richest, whose Estate in a *growing condition*, either in Land at Farm, Money at Interest, or Goods in Trade" (p. 11).

<Similarly, John Bellers, *Essays about the Poor, Manufactures, Trade, Plantations, and Immorality, etc.*, London, 1699, says:

> "Money neither *increaseth*, nor is useful, but when it's parted with, and as Money is unprofitable to a private Person but as he disposeth of it, for something more valuable, so what Money is more than of absolute necessity for a home Trade, is dead Stock to a Kingdom or Nation and brings no profit to that Country it's kept in" (p. 13).>
>
> "Altho' every one desires to have it" (money) "yet none, or very few care for keeping it, but they are forthwith contriving to dispose it; knowing that from all the Money that lies dead,

> no benefit is to be expected, but it is a certain loss" ([North, l.c.], p. 21).

||1420| *Money as world-money:*

> "A Nation in the World, as to Trade, is in all respects like a City in a Kingdom, or Family in a City" (p. 14). "In this course of Trade, Gold and Silver are in no sort different from other Commodities, but are taken from them who have Plenty, and carried to them who want, or desire them" (p.13).

The quantity of money that can circulate is determined by the exchange of commodities.

> "If never so much be brought from abroad, or never so much coyned at home, all that is more than what the Commerce of the Nation requires, is *but Bullion*, and will be treated as such; and coyned Money, like wroughs Plate at Second hand, shall sell but for the Intrinsick" (pp.17-18).

Conversion of money into bullion, and vice versa (p.18) (Supplementary notebook C, p. 13). *Valuation and weighing of* money. Oscillatory movement (Supplementary notebook C, p.14).

The usurer and *landed interest* and *trade:*

> "The Moneys imployed at Interest in this Nation, are not near the Tenth part, *disposed to Trading People*, wherewith to manage their Trades; but are for the most part lent for the supplying of Luxury, and to support the Expense of Persons, who though great Owners of Lands, yet spend faster than their Lands bring in; and being loath to sell, choose rather to mortgage their Estates" (North, l.c., pp.6-7). |XXIII-1420||

[6. Berkeley on Industry as the Source of Wealth]

||XIII-670a| "Whether it were not wrong to suppose *land itself* to be *wealth?* And whether the industry of the people is not first to be considered, as that which constitutes wealth, which makes even land and silver to be wealth, neither of which would have any value, but as *means and motives* to industry?" (*The Querist, by Dr. George Berkeley*, London, 1750, Query 38). |XIII-670a||

[7.] Hume and Massie

[(A) Massie and Hume on Interest]

||XX-1293a| *Massie's* anonymous work *An Essay on the Governing Causes of the Natural Rate of Interest* appeared in 1750. The second part of Hume's *Essays*, which contains the [essay] "Of Interest" published 1752, that is, two years later. Massie therefore has priority. Hume attacks Locke, Massie attacks both Petty and Locke, both of whom still held the view that the level of interest depends on the quantity of money, and that in fact the real object of the loan is money (not capital).

Massie laid down more categorically than did Hume, that *interest* is merely a part of profit. Hume is mainly concerned to show that the value of money makes no difference to the rate of interest, since, given the proportion between interest and money-capital—6 per cent for example, that is, £6, rises or falls in value at the

same time as the value of the £100 (and. therefore, of one pound sterling) rises or falls, but the proportion 6 is not affected by this.

[(B) Hume. Fall of Profit and Interest Dependent on the Growth of Trade and Industry]

Let us start with Hume.

> "Every thing in the world is purchased by labour" ([David Hume, "Of Commerce". In:] *Essays, [and Treatises on several Subjects*,] Vol. I, Part II, London, 1764, p. 289).

The rate of interest depends on the demand from borrowers and the supply by lenders, that is, on demand and supply, but after that essentially on the level of "profits arising from commerce" (l.c., p. 329).

> "The greater or less stock of labour and commodities must have a great influence" (upon interest); "since we really and in effect borrow these, when we take money upon interest" (l.c., p. 337). "No man will accept of low profits, where he can have high interest; and no man will accept of low interest, where he can have high profits" (l.c., p. 335).

High interest and high profit are both the expression "of the small advance of commerce and industry, not of the scarcity of gold and silver" (l.c., p.329). And "low interest" of the opposite.

||1294a| "In a state, therefore, where there is nothing but a landed interest" (or as he says later, "landed gentry and peasants") "the borrowers must be numerous, and interest high" (p. 330), because wealth which is only for enjoyment is driven by boredom to seek pleasures, while on the other hand production, except for agriculture, is

very limited. The opposite is the case, when commerce has developed. The passion for gain entirely [dominates the] merchant. He "*knows no such pleasure as that of seeing the daily increase of his fortune*". (The passion for exchange-value, abstract wealth, weighs with him far more than that for use-values.)

> "And this is the reason why trade encreases frugality, and why, among merchants, there is the same overplus of misers above prodigals, as, among the possessors of laud, there is the contrary" (p. 333).

<*Unproductive labour:*

> "Lawyers and physicians beget no industry; and it is even at the expense of others they acquire their riches; so that they are sure to diminish the possessions of some of their fellow-citizens, as fast as they encrease their own" (pp. 333-34).>

> "Thus an encrease of commerce [...] raises a great number of lenders, and by that means *produces lowness of interest*" (p. 334).

> "*Low interest* and *low profits of merchandise* are two events, that mutually forward each other, and *are both originally derived* from that extensive commerce, which produces opulent merchants, and renders the monied interest considerable. Where merchants possess great stocks, whether represented by few or many pieces of metal, it must frequently happen, that, when they either become tired of business, or leave heirs unwilling or unfit to engage in commerce, a great proportion* of these riches naturally seeks an annual and secure revenue. The plenty diminishes the price, and makes the lenders accept of a low interest. This consideration obliges many to keep their stock in trade, and rather be content with low profits than dispose of their money at an under value. On the other hand, when commerce has become** extensive, and employs*** large stocks, there must *arise rivalships among the*

merchants, which *diminish the profits of trade*, at the same time that they encrease the trade itself. The low profits of merchandise induce the merchants to accept more willingly of a low interest, when they leave off business, and begin to indulge themselves in ease and indolence. It is *needless*, therefore, to enquire which of these circumstances, to wit,* *low interest or low profits*, is *the cause*, and which *the effect*. They both arise from an extensive commerce, and mutually forward each other... An extensive commerce, by producing large stocks, diminishes both interest and profits; and is always assisted, in its diminution of the one, by the proportional sinking of the other. I may add, that, as low profits arise from *the encrease of commerce and industry*, they serve in their turn to its farther encrease,** by rendering the commodities cheaper, encouraging the consumption, and heightening the industry. And thus... *interest* is *the**** *barometer of the State*, and *its lowness* is a sign almost infallible of the flourishing of a people" (l.c., pp. 334-36).

[(C) Massie. Interest as Part of Profit. The Level of Interest Explained by the Rate of Profit]

[Joseph Massie,] *An Essay on the Governing Causes of the Natural Rate of Interest;* wherein the Sentiments of Sir William Petty and Mr. Locke, on that Head, are considered, London, 1750.

"It appears from these several Extracts, that Mr. Locke attributes the Government of the natural *Rate of interest* to the Proportion which the Quantity of Money in a Country bears to the Debts of its Inhabitants one amongst another, and to the Trade of it; and that Sir William Petty makes it depend on the Quantity of Money alone; so they only differ in regard to Debts" (*pp. 14-15).* |*XX-1294a*||

||XXI-1300| Rich people, “instead of employing their Money themselves, [..,] let it out to other People for them to make Profit of, reserving for the Owners a *Proportion of the Profits so*[****] *made:* But when the Riches of n Country are dispersed into so many Hands, and so equally divided, as not to leave many People enough to maintain two Families, by employing it in Trade, *there can be little borrowing;* for 20,000 *l.*[*****] when it belongs to one Man, may be lent, because the Interest of it will keep a Family, but if it belongs to ten Men, it cannot he lent, because the Interest [...] will not keep ten Families” (pp. 23-24).

> “All Reasoning about natural Interest from *the Rate which the Government pays for Money*, is, and unavoidably must be fallacious; Experience has shown us, they neither have a agreed nor preserved a Correspondence with each other; and Reason tells us never can; for *the one has its Fouadation in Profit*, and *the other in Necessity;* the former of which has Bounds, but the latter none: The Gentleman who borrows Money to improve his Land, and the Merchant or Tradesman who borrow to carry on Trade, have Limits, beyond which they will not go; if they can get 10 per cent by Money, they may give 5 per cent for it; but they will not give 10; whereas he who borrows through Necessity, has nothing else to determine by, and this admits of no Rule at all” (pp. 31-32).

> “The Equitableness of taking Interest, depends not upon a Man’s making or not making *Profit* by what be borrows, but upon its” (the money borrowed) “being capable of producing Profit if right y employed” (p. 49). “If *that which Men pay as Interest* for what they borrow, be *apart of the profits it is capable of producing, this Interest* must always be govern’d by those *Profits*” (p. 49).

> “What Proportion of these Profits do of Right belong to the Borrower, and what to the Lender; and this there is no other Method of

> determining, than by the Opinions in Borrowers and Lenders in general; for Right and Wrong in this Respect, are only what common Consent makes" (p. 49).
>
> "This Rule of *dividing Profits* is not however to be apply'd particularly to every Lender and Borrower, but to Lenders and Borrowers in general... remarkably great and small Gains are the Rewards of Skill, and the Want of Understanding, which *Lenders have nothing at all to do with;* for as they will not suffer by the one, they ought not to benefit by the other. What has been said of *particular Men in the same Business* is applicable to *particular Sorts of Business*" (p. 50).
>
> "The *natural Rate of Interest* is governed by the *Profits of Trade* to Particulars" (p. 51).

Why then was interest 4 per cent instead of 8 as it had been earlier in England?

Because English merchants at that time "get* double the Profits they now make" [p. 51].

Why 3 per cent in Holland, 5 and 6 in France, Germany, Portugal, 9 per cent in the West and East Indies, 12 in Turkey?

> "One general Answer will do for the whole, which is, that the Profits of Trade in these several Countries differ from the Profits of Trade here, and so much as to produce all those different Bates of Interest" (p. 51).

But what is the fall in profit due to?

> To competition, foreign and internal, "a Decrease of Trade"** (through foreign competition) "*or to People in Trade lowering the Prices of their Commodities upon each other*...through Necessity to get some Trade, or through Avarice to get most" (pp. 52-53).

"The Profits of Trade in general, are governed by the Proportion *which the Number of Traders* bears to the *Quantity of Trade*"*** (p. 55). "In Holland where the Number of People employ'd in Trade, bears the greatest proportion to the whole number of Inhabitants ... *Interest is* [...] *lowest* [...] in Turkey, where the Disproportion is still greater, Interest is higher"* (pp. 55-56).

||1301| "What governs the *Proportion between Trade and Traders?*" (p. 57). The "Motive** to Trade". "[I.] Natural necessity. [II.] Liberty. [III. The] Preservation of Men's private Rights. [IV.] Publick Safety" (pp. 57-58)

"There are no two Countries which furnish an equal Number of the Necessaries of Life in equal Plenty, and *with the same Quantity of Labour; [...]* Men's Wants increase or diminish with the Severity or Temperateness of the Climate they live in; [...] consequently, the *Proportion of Trade* which the Inhabitants of different Countries are obliged to carry on through Necessity, cannot be the same, nor is it practicable to ascertain the Degree of Variation further than by the Degrees of Heat and Cold; from whence one may make this general Conclusion, that the *Quantity of Labour* required for [the Maintenance of] a certain Number of People is greatest in cold Climates, and least in hot ones; for in the former, Men not only want more Cloaths, but the Earth more cultivating, than in the latter" (p. 59). "One kind of Necessity which is peculiar to Holland...arises from the Country being over-peopled; which, with *the great Labour required to fence and drain their**** *Land*, makes their Necessity to trade greater than it is in any other Part of the habitable World" (p. 60).

[(D) Conclusion]

Massie, even more definitely than Hume, presents interest as a mere *part of profit;* both attribute the fall in interest to the accumulation of capitals (Massie [speaks] especially of competition) and the fall in profits resulting from this. Both [say] equally little about the *origin of the Profit of trade* itself. |XXI-1301||

[8. Addendum to the Chapters on the Physiocrats]

[(A) Supplementary Note on the Tableau Économique. Quesnay's False Assumptions]

||XXIII-1433|

Productive class	Landlords	Sterile class
2 milliards	2 milliards	1 milliard
1 milliard		
1 milliard		1 milliard
1 milliard		1 milliard
Annual advances 2 milliards		Total 2 milliards
Total 5 milliards		

This is the simplest form of the Tableau économique.

1. *Money circulation* (assuming payment is made only annually). The money circulation starts out from the spending class, the landlords who have no *commodities* to sell, who buy without selling.

They buy to the amount of 1 milliard from the productive class, to whom they send back the milliard in money received in payment for rent. (This disposes of

one-fifth of the agricultural produce.) They buy to the amount of 1 milliard from the sterile class, who in this way get 1 milliard in money. (This disposes of half the product of manufacture.) With the 1 milliard, the sterile class buy means of subsistence from the productive class; so that 1 milliard in money thus flows back to the latter. (This disposes of a second fifth of the agricultural produce.) With the same milliard in money the productive class buy l milliard in manufactured products; this replaces for them one-half of their advances. (This disposes of the second half of the produce of manufacture). The sterile class buy ||1434| raw materials with the same milliard in money. (This disposes of another one-fifth of the agricultural produce.) In this way the [2] milliards in money have flowed back to the productive class.

So what remains is two-fifths of the agricultural produce. One-fifth is consumed in kind, but in what form is the second one-fifth accumulated? That is to be shown later.

2. Even from Quesnay's point of view, according to which the whole sterile class in fact consist only of wage-labourers, the falsity of the assumptions made is evident from the Tableau itself.

The original advances (fixed capital) made by the productive class are assumed to be five times the size of the annual advances. In the case of the sterile class this item is not mentioned at all—which naturally does not prevent it from existing.

Moreover, it is wrong to say that the reproduction is equal to 5 milliards; the Tableau itself shows it to be 7 milliards; 5 in the case of the productive class and 2 in the case of the sterile class.

[(B) Partial Reversion of Individual Physiocrats to Mercantilist Ideas. Demand of the Physiocrats for Freedom of Competition]

The product of the sterile class is equal to 2 milliards. This product consists of 1 milliard in raw materials (which therefore partly enter into the product, and partly replace the wear and tear of the machinery which has entered into the value of the product) and 1 milliard in means of subsistence, which have been consumed in working them up.

They sell this entire product to the landlords and the productive class, in order *firstly* to replace the advance (in raw materials), *secondly* to obtain agricultural means of subsistence. Therefore *not a farthing's worth of the manufactured products* is left for their own consumption, still less for interest or profit. This in fact was noticed by Baudeau (or Le Trosne); he explains it by the sterile class selling their product *above* its *value*, so that what they sell for 2 milliards is equivalent to 2 milliards minus x. Their profit, and even what *they* consume in manufactured goods as necessary means of subsistence, is therefore explained only by the *raising of the price of the commodities above their value*. And here the Physiocrats necessarily fall back on the Mercantile system's *profit upon alienation*.

This is why free competition between the manufacturers is so very essential, so that they do not take too great advantage of the productive class, the agriculturists. On the other hand this free competition is necessary in order that agricultural produce may be sold at a "*good* price", that is, that it may rise *above* its native price by sale abroad—the assumption being a country which exports wheat, etc.

[(C) Original Formulation of why it is Impossible to Increase Value in Exchange]

> "Every purchase is a sale, and every sale a purchase" (Quesnay, *Dialogues sur le commerce et sur les travaux des artisans*, etc., éd. Daire, p. 170). "To buy is to sell, and to sell is *to* buy" (*Quesnay* in Dupont de Nemours, *Origine, etc.*, 1767, p. 392).
>
> "*Price always precedes purchases and sales*. If the competition of sellers and buyers brings about no change in it, it exists as it is through other causes *independent of* trade" (l.c., p. 148).
>
> "It is always to he presumed that it" (exchange) "is profitable to both" (contracting parties), "since they mutually procure for themselves the enjoyment of wealth which they could only obtain through exchange. But always there is only exchange of wealth *of a certain value* for other wealth *of equal value*, and consequently *no real increase of wealth*" (this should he: no real increase of value) (l.c., p. 197).

Advances and *capital* are explicitly stated to be identical. *Accumulation of capitals* as the principal condition.

> "The increase of capitals is then the principal means of augmenting labour, and of the greatest benefit to society", etc. (Quesnay in Dupont de Nemours, l.c., p. 391). |XXIII-1434||

[9. Glorification of the Landed Aristocracy by Buat,

an Epigone of the Physiocrats]

||XXII-1399| Buat (Comte du), *Éléments de la politique, ou Recherche des vrais principes de l'économie sociale*, (6 volumes), London, 1773.

This feeble and diffuse writer, who takes the outward form of Physiocracy for its essence and glorifies the landed aristocracy— and in fact accepts it [Physiocracy] only in so far as it serves this purpose—would not have to be mentioned at all, but for the fact that the brutal characteristics of the bourgeois emerge so sharply in his work; quite as sharply, perhaps, as in Ricardo's writings later. His error in restricting the net product to rent makes no difference to this.

What Buat says is repeated by Ricardo in relation to the net product in general. The labourers belong to the incidental expenses and exist only in order that the owners of the net product may "form society". (See the relevant passages.) The free labourer's lot is conceived as only a changed form of slavery; but this is necessary so that the higher strata may form "society".

< *Arthur Young* too sees the net product, surplus-value, as the purpose of production.>

||1400| In this connection we may recall the passage in Ricardo, directed against Adam Smith, for whom that capital is the most productive which employs the greatest number of labourers. On this, compare Buat—t. VI, pp. 51-52, 68-70. Also on the labouring class and slavery—t. II, pp. 288, 297, 309; t. III, pp. 74, 95-96, 103; t. VI, pp. 43, 51; on the necessity for these labourers to work surplus-time, and on the meaning of the *strict nécessaire—t*. VI, pp. 52-53.

The one passage to be quoted here—because it deals well with the prattle about the *risk* that the capitalist always runs:

> "They have risked much to gain much? But they have risked men, and goods or money. As for the men, [...] if they have exposed them to manifest peril for the sake of gain, they have done a very wicked act, As for the goods, if there is any merit in producing them, there should be no merit in risking them for the profit of one individual", etc. (t, II, p. 297). |XXII-1400||

[10. Polemics Against the Landed Aristocracy from the Standpoint of the Physiocrats (An Anonymous English Author)]

||XXIII-1449| *The Essential Principles of the Wealth of Nations, illustrated, in Opposition to some False Doctrines of Dr. Adam Smith, and others*, London, 1797.

This man knew of Anderson, for he prints in his appendix an extract from Anderson's Agricultural Report for the County of Aberdeen.

This is the *only important* English work directly supporting the Physiocratic teaching. William Spence, *Britain Independent of Commerce*, 1807, is a mere caricature. This same fellow in 1814-15 was one of the most fanatic defenders of the landed interest on the basis of Physiocracy—which teaches free trade. The fellow is not to be confused with *Thomas Spence*, the deadly enemy of *Private Property in Land*.

The work [*The Essential Principles*] contains firstly a very excellent and compressed resumé of the Physiocratic doctrine.

He is right in tracing the origin of this view to *Locke* and *Vanderlint*, and he describes the Physiocrats as those who "very systematically, *though not correctly*, illustrated" the doctrine (p. 4). (See also on this p. 6; *notebook H*, pp. 32-33.)

The summary quoted there brings out very nicely how the *privation theory*—which the later apologists, and partly even Smith, made the basis for the formation of capital—arose precisely from the Physiocratic view that *no surplus-value* is created in industry, etc.:

> " The expence laid out in employing and maintaining them" [handicraftsmen, manufacturers and merchants] "does no more than *continue the existence of its own value*, and is therefore unproductive" (because unproductive of surplus-value) "The wealth of society can never in the smallest degree he *augmented* by artificers, manufacturers, or merchants, otherwise than by their *saving and accumulating part of what is intended for their daily subsistence;* consequently it is *by privation or parsimony alone*, that they can add any thing to the general stock" (Senior's theory of abstinence, Adam Smith's theory of savings). "Cultivators, on the contrary, may live up to the whole of their income, and yet at the same time [...] enrich the State; for their industry affords a surplus-produce called rent" (p. 6).
>
> "A class of men whose labour though (it produces something) produces no more than what was bestowed, in order to effect that labour, may with the greatest propriety be called an *unproductive class*" (p. 10).

Production of surplus-value to be clearly distinguished from its transfer.

> "The *augmentation* of revenue" (this is *accumulation*) "is not, but indirectly, the object of the Economists... Their object is the *production and reproduction of* [...] *revenue*" (p. 18).

And this is the great merit of Physiocracy. The Physiocrats put themselves the question: how is *surplus-value* (for him [the anonymous writer] it is revenue) produced and reproduced? The question how it is *reproduced on an enlarged scale*, that is, increased, comes up only in the second place. Its *category*, the secret of its production, ||1450| must first be revealed.

Surplus- value and commercial capital.

> "When the question is about the *production* of revenue, it is altogether illogical to substitute for that *the transfer of* [...] *revenue*, which *all commercial dealings* are [...] resolvable into" (p. 22). "What does the word *commerce* imply but *commutatio mercium**... sometimes more beneficial to the one than the other; but still what the one gains the other loses, and their traffic really *produces no increase*" (p. 23). "Should a Jew sell a crown-piece for ten shillings, or a Queen Anne's farthing for a guinea, he would augment his own income, no doubt, but he would not thereby augment the *quantity of the precious metals;* and the nature of the traffic would be the same, whether his virtuoso customer resided in the same street with himself, or in France, or in China" (p. 23).

The Physiocrats explain the profit of industry as profit upon alienation (that is, in the Mercantilist way). *This Englishman therefore draws the right conclusion that this profit is only a gain when industrial commodities are sold abroad. From the Mercantilist premise he draws the right Mercantilist conclusion.*

> "No man, as a manufacturer, however he may gain himself, adds any thing to the

> national revenue, if his commodity is sold and consumed at home; for *the buyer precisely loses…what the manufacturer gains…* There is an *interchange* between the seller and the buyer, but no increase" (p. 26). "*To supply the want of a surplus*…the master-employer takes a profit of 50 per cent upon what he expends in wages, or sixpence in the shilling on each manufacturer's pay; … and if the manufacture is sold ahroad … [this] would be *the national profit*" (p. 27) of so and so many "artificers ".

Very good presentation of the reasons for Holland's wealth. Fisheries. (He should also have mentioned stock-raising.) Monopoly of the spices of the East. Carrying trade. Lending money abroad. (*Supplementary notebook H*, pp. 36-37).

> "Manufacturers are […] a *necessary* class" but not a "*productive class*" (p. 35). They "occasion *a commutation* or *transfer* of the revenue previously provided by the cultivator, by giving a *permanency* to that revenue under a new form" (p. 38).

There are only four essential classes. Productive class or cultivators. Manufacturers. Defenders. The class of instructors, which he substitutes for the Physiocratic tithe owners or priests, "for every civil society must be fed, […] clothed, defended and instructed" (pp. 50-51).

The mistake of the Economists is that they

> "deemed *Receivers of land rents, as mere Receivers of rents, a productive class* in society…they have in some degree compensated for their error by intimating that the Church and King are to be served out of those rents. Dr. Smith…suffering it" (this error of the Economists) "to pervade the *whole of his own* enquiry*," (this is correct) "directs his refutation to the sound part of the Economical system" (p. 8).

||1451| The landlords as such are not only not *productive*, but not even an *essential class* of society.

> "The *proprietors of land* as mere receivers of land rents are not an essential class of society... By separating the rents of lands from the constitutional purpose of the defence of the State, the receivers of those rents instead of being an essential class, render themselves one of the most unessential and burdensome classes in society" (p. 51).

See his further treatment of this, which is very good, [in] *Supplementary notebook H*, pp. 38-39—and this polemic against the receivers of land rent from the standpoint of the Physiocrats, *as the final conclusion from their doctrine, is very important*.

[The author] shows that the real *tax on land* is Turkish (l.c., p. 59).

The *landlord taxes* not only improvements of land, but often the presumption of future improvement (pp. 63-64). Tax on rents (p. 65).

The Physiocratic doctrine *anciently* established in England, Ireland, feudal Europe, Empire of the Mogul (pp. 93-94).

The landlord as tax-imposer (p. 118).

The limitations of Physiocracy break through in the following (lack of *understanding of the division of labour):* Let it be assumed that a clockmaker or calico manufacturer cannot sell his clock or calico. [Then he would be in difficult position. That however shows] "that a manufacturer only enriches himself by being a *seller*" (it shows only that he produces his product as a *commodity* "and that when he ceases to be a *seller*, his *profits*" (and what of the profits of the farmer who is not a *seller?*) "are immediately at a stand, because they

are not natural profits, but artificial. The cultivator…*may exist*, and thrive, and multiply, without *selling* any thing" (pp. 38-39). (But then he must also be a manufacturer.)

[Why does the author speak only of a clockmaker or a calico manufacturer? It can equally well be] assumed that a producer of coal, iron, flax, indigo, etc., cannot sell these products, or even that a producer of corn cannot sell his corn. *Béardé de l'Abbaye*, cited above, is very good on this. He [the anonymous author] has to stress production [for] *immediate* consumption as against the *production of commodities*—very much in contradiction with the Physiocratic view that *exchange-value* was the principal thing. But that runs right through the work of this fellow. It is the *bourgeois* view within the pre-bourgeois *way of looking at things*.

[He comes out] against Arthur Young's *high price*, [which the latter regards] as *important for the prosperity of agriculture; but this is at the same time polemics against the Physiocrats* (l.c., pp. 65-78 and 118).

Surplus-value cannot be derived from the nominal raising of the price on the part of the seller.

> Through "this* augmentation of the *nominal value of the produce…nor are sellers* […] *enriched*** …since what they gain as sellers, they precisely expend in quality of buyers" (p. 66).

This is similar to Vanderlint's arguments:

> "While a field admitting cultivation can be found for every idler, let no idler be without a field. Houses of industry are good things; but fields of industry are much better" (p. 47).

[He is] against the farm system, and for long leases, because landownership will otherwise only hinder production and improvements (pp. 118-23). (*Irish Right of Tenantry*.) |XXIII-1451||

[11. Apologist Conception of the Productivity of All Professions]

||V-182| A philosopher produces ideas, a poet poems, a clergyman sermons, a professor compendia and so on. A criminal produces crimes. If we look a little closer at the connection between this latter branch of production and society as a whole, we shall rid ourselves of many prejudices. The criminal produces not only crimes but also criminal law, and with this also the professor who gives lectures on criminal law and in addition to this the inevitable compendium in which this same professor throws his lectures onto the general market as "commodities. This brings with it augmentation of national wealth, quite apart from the personal enjoyment which—as a competent Witness, Herr Professor Roscher, [tells] us—the manuscript of the compendium brings to its originator himself.

The criminal moreover produces the whole of the police and of criminal justice, constables, judges, hangmen, juries, etc.; and all these different lines of business, which form equally many categories of the social division of labour, develop different capacities of the human spirit, create new needs and new ways of satisfying them. Torture alone has given rise to the most ingenious mechanical inventions, and employed many honourable craftsmen in the production of its instruments.

The criminal produces an impression, partly moral and partly tragic, as the case may be, and in this way renders a "service" by arousing the moral and aesthetic feelings of the public. He produces not only compendia on Criminal Law, not only penal codes and along with them legislators

in this field, but also art, belles-lettres, novels, and even tragedies, as not only Müllner's *Schuld* and Schiller's *Räuber* show, but also [Sophocles'] *Oedipus* and [Shakespeare's] *Richard the Third*. The criminal breaks the monotony and everyday security of bourgeois life. In this way he keeps it from stagnation, and gives rise to that uneasy tension and agility without which even the spur of competition would get blunted. Thus he gives a stimulus to the productive forces. While crime takes a part of the superfluous population off the labour market and thus reduces competition among the labourers—up to a certain point preventing wages from falling below the minimum—the struggle against crime absorbs another part of this population. Thus the criminal comes in as one of those natural "counterweights" which bring about a correct balance and open up a whole perspective of "useful" occupations.

The effects of the criminal on the development of productive power can be shown in detail. Would locks ever have reached their present degree of excellence had there been no thieves? Would the making of bank-notes have reached its present perfection had there been no ||183| forgers? Would the microscope have found its way into the sphere of ordinary commerce (see Babbage) but for trading frauds? Doesn't practical chemistry owe just as much to adulteration of commodities and the efforts to show it up as to the honest zeal for production? Crime, through its constantly new methods of attack on property, constantly calls into being new methods of defence, and so is as productive as strikes for the invention of machines. And if one leaves the sphere of private crime: would the world-market ever have come into being but for national crime? Indeed, would even the nations have arisen? And hasn't the Tree of Sin been at the same time the Tree of Knowledge ever since the time of Adam?

In his *Fable of the Bees* (1705) Mandeville had already shown that every possible kind of occupation is productive, and had given expression to the line of this whole argument:

> "That what we call Evil in this World, Moral as well as Natural, is the grand Principle that makes us Sociable Creatures, the solid Basis, the *Life and Support of all Trades and Employments* without exception [...] there we must look for the true origin of all Arts and Sciences; and [...] the moment, Evil ceases, the Society must he spoil'd if not totally dissolve'd*" [2nd edition, London, 1723, p. 428].

Only Mandeville was of course infinitely bolder and more honest than the philistine apologists of bourgeois society. |V-183||

[12.] Productivity of Capital. Productive and Unproductive Labour

[(A) Productivity of Capital as the Capitalist Expression of the Productive Power of Social Labour]

||XXI-1317| We have seen not only how capital produces, but how it itself is produced, and how, as an essentially altered relation, it emerges from the process of production and how it is developed in it. On the one hand capital transforms the mode of production; on the other hand this changed form of the mode of production and a particular stage in the development of the material forces

of production are the basis and precondition—the premise for its own formation.

Since living labour—through the exchange between capital and labourer—is incorporated in capital, and appears as an activity belonging to capital from the moment that the labour-process begins, all the productive powers of social labour appear as the productive powers of capital, just as the general social form of labour appears in money as the property of a thing. Thus the productive power of social labour and its special forms now appear as productive powers and forms of capital, of *materialised* labour, of the material conditions of labour—which, having assumed this independent form, are personified by the capitalist in relation to living labour. Here we have once more the perversion of the relationship, which we have already, in dealing with money, called *fetishism*.

The capitalist himself only holds power as the *personification of capital*. (In Italian book-keeping this role of his as a *capitalist*, as personified capital, is even always contrasted with him as a mere person, in which capacity he appears only as a personal consumer and debtor of his own capital.)

The *productivity* of capital consists in the first instance—even if one only considers the *formal* subsumption of labour under capital—in the *compulsion to perform surplus-labour*, labour beyond the immediate need; a compulsion which the capitalist mode of production shares with earlier modes of production, but which it exercises and carries into effect in a manner more favourable to production.

Even from the standpoint of this purely formal relation—the *general* form of capitalist production, which is common both to its less developed stage and to its more developed stage—the *means of production*, the

material conditions of labour—material of labour, instruments of labour (and means of subsistence)—do not appear as subsumed to the labourer, but the labourer appears as subsumed to them. He does not make use of them, but they make use of him. And it is this that makes them capital. Capital *employs* labour. They are not means for him to produce products whether in the form of direct means of subsistence, or of means of exchange, commodities. But he is a means for them—partly to maintain their value, partly to create surplus-value, that is, to increase it, absorb surplus-labour.

Already in its simple form this relation is an inversion—personification of the thing and materialisation of the person; for what distinguishes this form from all previous forms is that the capitalist does not rule over the labourer through any personal qualities he may have, but only in so far as he is "capital"; his domination is only that of materialised labour over living labour, of the labourer's product over the labourer himself.

The relation grows still more complicated and apparently more mysterious because, with the development of the specifically capitalist mode of production, it is not only these directly material things <all products of labour; considered as use-values, they are both material conditions of labour and products of labour; considered as exchange-values, they are materialised general labour-time or money> that get up on their hind legs to the labourer and confront him as "capital", but [also] the forms of socially developed labour—co-operation, manufacture (as a form of division of labour), the factory (as a form of social labour organised on machinery as its material basis)—all these appear as *forms of the development of capital*, and therefore the productive powers of labour built up on these forms of social labour—consequently also science and the forces of nature—appear as *productive powers of capital*. In fact, the unity [of labour] in co-operation, the

combination [of labour] through the division of labour, the use for productive purposes in machine industry of the forces of nature and science alongside the products of labour—all this confronts the individual labourers themselves as something *extraneous* and *objective*, as a mere form of existence of the means of labour that are independent of them and control them, just as the means of labour themselves [confront them,] in their simple visible form as materials, instruments, etc., as functions of *capital* and consequently of the *capitalist*.

The social forms of their own labour or the forms of their own ||1318| social labour are relations that have been formed quite independently of the individual labourers; the labourers, as subsumed under capital, become elements of these social formations —but these social formations do *not* belong to them. They therefore confront them as *forms* of capital itself, as combinations belonging to capital, as distinct from their individual labour-power, arising from capital and incorporated in it. And this takes on a form that is all the more real the more on the one hand their labour-power itself becomes so modified by these forms that it is powerless as an independent force, that is to say, *outside* this capitalist relationship, and that its independent capacity to produce is destroyed. And on the other hand, with the development of machinery the conditions of labour seem to dominate Labour also technologically while at the same time they replace labour, oppress it, and make it superfluous in its independent forms.

In this process, in which the *social* character of their labour confronts them to a certain degree as *capitalised* (as for example in machinery the visible products of labour appear as dominating labour), the same naturally takes place with the forces of nature and science, the product of general historical development in its abstract quintessence—they confront the labourers as *powers* of capital. They are separate in fact from the

skill and knowledge of the individual labourer—and although, in their origin, they too are the product of labour—wherever they enter into the labour-process they appear as *embodied in capital*. The capitalist who makes use of a machine need not understand it. (See Ure.) But science realised *in the machine* appears as *capital* in relation to the labourers. And in fact all these applications of science, natural forces and products of labour on a large scale, these applications founded on *social labour*, themselves appear only as *means for the exploitation* of labour, as means of appropriating surplus-labour, and hence confront labour as *powers* belonging to capital. Capital naturally uses all these means only to exploit labour; but in order to exploit it, it must apply them in production. And so the development of the *social* productive powers of labour and the conditions for this development appear as *acts of capital*, towards which the individual labourer not only maintains a passive attitude, but which take place in opposition to him.

Capital itself has a double character, since it consists of commodities:

1. *Exchange-value* (money); but [it is] *self-expanding value*, value which—because it is value—creates value, *grows as value*, receives an increment. This [growth] resolves itself into the exchange of a given quantity of materialised labour for a greater quantity of living labour,

2. *Use-value;* and here it shows itself through its specific relations in the labour-process. But precisely here it is no longer merely material of labour and means of labour to which belongs *labour*, which have absorbed labour, but along with labour [capital includes] also the *social combinations* [of labour] and the development of the means of labour corresponding to these social combinations. Capitalist production first develops on a

large scale—tearing them away from the individual independent labourer—both the objective and subjective conditions of the labour-process, but it develops them as powers dominating the *individual labourer* and *extraneous* to him.

Thus capital becomes a very mysterious being. |1318||

||1320| Capital is therefore productive: (1) as a force *compelling* surplus-labour, (2) as the absorber and appropriator (personification) of the productive powers of social labour and of the general social productive forces, such as science.

The question arises, how or for what reason does labour as opposed to capital appear productive or as *productive labour*, since the productive powers of labour are transposed into capital, and the same productive power cannot be counted twice, once as the productive power of labour and the second time as the productive power of capital? <Productive power of labour— productive power of capital. But *labour-power* is productive through the *difference* between its *value* and *the value which it creates*.>

[(B) Productive Labour in the System of Capitalist Production]

Only bourgeois narrow-mindedness, which regards the capitalist forms of production as absolute forms—hence as eternal, natural forms of production—can confuse the question of what is *productive labour* from the standpoint of capital with the question of what labour is productive in general, or what is productive labour in general; and consequently fancy itself very wise in giving the answer that all labour which produces anything at all,

which has any kind of result, is by that very fact productive labour.

[*Firstly:*] Only labour *which is directly transformed into capital is productive;* that is, only labour which makes variable capital a variable magnitude and consequently [makes the total capital C] equal to C+Δ. If the variable capital before its exchange with labour is equal to x, so that we have the equation y=x, then the labour which transforms x into x+h, and consequently out of y=x makes y'=x+h, is productive labour. This is the *first* point to be elucidated. [That is,] labour which produces surplus-value or serves capital as agency for the creation of surplus-value, and hence for manifesting itself as capital, as self-expanding value.

*Secondly:*The social and general productive powers of labour are productive powers of capital; but these productive powers relate only to the labour-process, or affect only the use-value. They represent properties inherent in capital as a thing, as its use-value. They do not directly affect *exchange-value*. Whether a hundred work together, or each one of the hundred works by himself, the value of their product is equal to a hundred days' labour, whether represented in a large or small quantity of products; that is to say, the productivity of the labour does not affect the value.

||1321| The varying productivity of labour affects exchange-value only in one way.

If the productivity of labour is increased for example in a single branch of labour—for instance, if weaving with power-looms instead of hand-looms becomes no longer exceptional, and if the weaving of a yard with the power-loom requires only half the labour-time required with the hand-loom, then twelve hours' labour of a hand-loom weaver is no longer represented in a value of twelve hours, but in one of six, since the *necessary* labour-time has now

become six hours. The hand-loom weaver's twelve hours now only [represent] six hours of social labour-time, although he still works twelve hours as he did before.

But this is not what we are dealing with here. As against this, take another branch of production, for example type-setting, in which up to now no machinery is used. Twelve hours in this branch produce just as much *value* as twelve hours in branches of production in which machinery, etc., is developed to the utmost. Hence labour as producing *value* always remains the labour of the *individual*, but expressed in the form of *general labour*. Consequently productive labour—as labour producing value—always confronts capital as labour of the individual labour-power, as labour of the *isolated labourer*, whatever social combinations these labourers may enter into in the process of production. While therefore capital, in relation to the labourer, represents the social productive power of labour, the productive labour of the workmen, in relation to capital, always represents only the labour of the *isolated labourer*.

Thirdly: Whereas the extortion of surplus-labour and the appropriation to itself of the social productive powers of labour seem to be a natural property of capital—hence a property springing from its use-value—it seems on the contrary to be a natural property of labour to manifest its own social productive powers as productive powers of capital and its own surplus[-product] as surplus-value, as the self-expansion of capital.

These three points must now be examined, and from them we must deduce the distinction between productive and unproductive labour.

[On (1).] The productivity of capital consists in the fact that it confronts labour as wage-labour, and the productivity of labour consists in the fact that it confronts the means of labour as capital.

We have seen that money is transformed into capital—that is , a certain exchange-value is transformed into self-expanding exchange-value, into value plus surplus-value—through one part of it being converted into commodities which serve labour as means of labour (raw materials, instruments, in short, the material conditions of labour), and another part being used for the purchase of labour-power. However, it is *not* this first exchange between money and labour-power, or the mere purchase of the latter, which transforms money into capita]. This purchase incorporates in the capital the use of the labour-power for a certain time, or makes a certain quantity of living labour one of the modes of existence of capital, so to speak, the entelechy of the capital itself.

In the actual production process the living labour is transformed into capital through the fact that on the one hand it reproduces the wages —that is, the value of the variable capital —and on the other hand it creates surplus-value; and through this process of transformation the whole sum of money is transformed into capital, although the part of it which varies directly is only the part expended in wages. If the value was previously equal to c+v, now it is equal to c+(v+x), which is the same thing as (c+v)+x; or in other words: the original sum of money or magnitude of value has expanded, has shown itself to be value which at the same time maintains itself and also increases.

<This has to be noted: the circumstance that only the *variable part* of the capital produces its increment in no way alters the fact that through this process the whole original value has expanded, has grown greater by a surplus-value, and that therefore the whole original sum of money has been transformed into capital. For the original value was equal to c+v (constant and variable capital). In the process it becomes c+(v+x); the latter is the reproduced part, which has come into existence through the transformation of the living labour into

materialised labour —a transformation which is conditioned and initiated through the exchange of v for labour-power, or its transformation into wages. But c+(v+x)=c+v (the original capital)+x. Moreover the transformation of v into v+x, and therefore of (c+v) into (c+v)+x, could only take place through the transformation of a part of the money into c, The one part can only be transformed into *variable* capital through the other part being transformed into constant capital.>

In the actual process of production the labour is *in reality* transformed into capital, but this transformation is conditioned by *the* original exchange between money and labour-power. It is through this *direct* transformation of labour into *materialised* labour, belonging not to the labourer but to the capitalist, that money is first transformed into capital—including that part of it which has received the form of means of production, or conditions of labour. Up to that point, the money—whether it exists in its own form or in the form of commodities (products) of a kind that can serve as means of production of new commodities — is only *an sich*[*] capital.

||1322| Only this definite relation to labour transforms money or commodities into capital, and that labour is productive labour which through this its relation to the conditions of production—to which corresponds a definite conduct in the actual process of production—transforms money or commodities into capital; that is to say, which maintains and increases the value of materialised labour rendered independent in relation to labour-power. Productive labour is only a concise term for the whole relationship and the form and manner in which labour-power figures in the capitalist production process. The distinction from other kinds of labour is however of the greatest importance, since this distinction expresses precisely the specific form of the labour on

which the whole capitalist mode of production and capital itself is based.

Productive labour is therefore—in the system of capitalist production—labour which produces surplus-value for its employer, or which transforms the objective conditions of labour into capital and their owner into a capitalist: that is to say, labour which produces its own product as capital.

So when we speak of productive labour, we speak of socially determined labour, labour which implies a quite specific relation between the buyer and the seller of the labour.

Now although the money which is in the hands of the buyer of labour-power (or the commodities in his possession: [the supply] of means of production and means of subsistence for the labourer) only becomes capital through this process, is only transformed into capital in this process—and therefore these things are not capital before they enter into the process, but are only destined to be capital—they are nevertheless an sich capital. They are in their essence capital because of the independent form in which they confront labour-power and labour-power confronts them—a relationship which conditions and ensures the exchange with labour-power and the subsequent process of the actual transformation of labour into capital. They have from the outset the specific social character in relation to the labourers which makes them into capital and gives them command over labour. They are therefore pre-conditions confronting labour as capital.

Productive labour, therefore, can be so described when it is directly exchanged for money as capital, or, which is only a more concise way of putting it, is exchanged directly for capital, that is, for money which in its essence is capital, which is destined to function as capital, or

confronts labour-power as capital. The phrase: labour which is directly exchanged for capital, implies that labour is exchanged for money as capital and actually transforms it into capital. The significance of the direct nature of the exchange will be seen more clearly in a moment.

Productive labour is therefore labour which reproduces for the labourer only the previously determined value of his labour-power, but as an activity creating value increases the value of capital; in other words, which confronts the labourer himself with the values it has created in the form of capital.

[(C) Two Essentially Different Phases in the Exchange Between Capital and Labour]

In the exchange between capital and labour, as we saw in examining the production process, two essentially different though interdependent phases have to be distinguished.

First: The first exchange between capital and labour is a formal process, in which capital figures as money and labour power as commodity. From a conceptual or legal standpoint the sale of labour-power takes place in this first process, although the labour is paid for only after it has been performed—at the end of the day, of the week, etc. This in no way alters this transaction, in which the labour-power is sold. What in this transaction is directly sold is not a commodity in which labour has already realised itself, but the use of the labour-power itself, and therefore in fact the labour itself, since the use of the labour-power is its activity—labour. It is therefore not an exchange of labour mediated through an exchange of commodities. When A sells boots to B, both exchange labour, the first, labour realised in boots, the second,

labour realised in money. But in this first exchange, on one side materialised labour in its general social form, that is, money, is exchanged for labour which as yet exists only as a power; and what is brought and sold is the use of this power, that is, the labour itself, although the value of the commodity sold is not the value of the labour (a meaningless phrase) but the value of the labour-power. What takes place therefore is a direct exchange between materialised labour and labour power, which in fact resolves itself into living labour; that is, between materialised labour and living labour. The wage—the value of the labour-power—appears, as explained earlier as the direct purchase price, the price of labour.

In this first phase the relation between Labourer and capitalist is that of seller and buyer of a commodity. The capitalist pays the *value* of the labour-power, that is, the *value* of the commodity which he buys.

At the same time, however, the labour-power is only bought because the labour which it can perform, and undertakes to perform, is more than the labour required for the reproduction of its labour-power; therefore the labour performed by it represents a greater value than the value of the labour-power.

||1323| *Secondly:* The second phase of the *exchange* between capital and labour in fact has nothing to do with the first, and strictly speaking is not an *exchange* at all.

In the first phase there is exchange of money for commodity—exchange of equivalents—and labourer and capitalist confront each other only as owners of commodities. Equivalents are exchanged. (That is to say, it makes no difference to the relation *when* they are exchanged; and whether the price of the labour is *above* or *below* the *valve* of the labour-power or is *equal* to it alters nothing in the

transaction. It *can* therefore take place in accordance with the general law of commodity exchange.)

In the second phase there is no exchange at all. The owner of money has ceased to be a buyer of commodities and the labourer has ceased to be a seller of commodities. The owner of money now functions as capitalist. He consumes the commodity which he has bought, and the worker supplies it, since the use of his labour-power is his labour itself. Through the earlier transaction the *labour* itself has become part of materialised wealth. The labourer performs it, but it *belongs* to capital and is now only a function of the latter. It is performed therefore directly under the control and direction of capital; and the product in which it is materialised is the new form in which the capital appears, or in which rather it actually *realises* itself as capital. In this process, therefore, labour is directly *materialised*, is transformed *directly* into capital, after it has been *formally* incorporated in capital through the first transaction. And indeed more labour is here transformed into capital than the capital which had earlier been expended on the purchase of labour-power. In this process a part of unpaid labour is appropriated, and only thereby does the money transform itself into capital.

But although in this phase no exchange in fact takes place, the result, abstracting from the means that brought it about, is that in the process —taking both phases together—a certain quantity of materialised labour has exchanged for a greater quantity of living labour. This is expressed in the result of the process by the fact that the labour which has materialised itself in its product is greater in quantity than the labour materialised in the labour-power, and hence greater than the materialised labour paid to the labourer; or in other words by the fact that in the actual process the capitalist gets back *not* only the part of the capital which he laid out in wages, but a surplus-value which costs him

nothing. The *direct* exchange of labour for capital here signifies: (1) the direct transformation of the Labour into capital, into a material component part of capital in the production process; (2) the exchange of a certain quantity of materialised labour for the same quantity of living labour [plus] a surplus quantity of living labour which is appropriated *without exchange*.

The statement that *productive labour* is labour which is *directly* exchanged with *capital* embraces all these phases, and is only a derivative formula expressing the fact that it is *labour* which transforms money into capital, which is exchanged with the conditions of production as *capital*, that therefore in its relationship with these conditions of production labour is *not* faced by them as simple conditions of production, nor does it face the conditions of production as *labour* in general that has no specific social character.

This statement covers: (1) the relation of money and labour-power to each other as commodities, purchase and sale as between the owner of money and the owner of labour-power; (2) the direct subsumption of labour under capital; (3) the real transformation of labour into capital in the production process, or what is the same thing, the creation of surplus-value for capital. *Two kinds of exchange* take place *between labour and capital*. The first expresses merely the purchase of labour-power and therefore in reality of labour and therefore of its product; the second, the direct transformation of *living* labour into capital, in other words the materialisation of living labour as the realisation of capital.

[(D) The Specific Use-value of Productive Labour for Capital]

The result of the capitalist production process is neither a mere product (use-value) nor a *commodity*, that is, a use-value which has a certain exchange-value. Its result, its product, is the creation of *surplus-value* for capital, and consequently the actual *transformation* of money or commodity into capital— which before the production process they were only in intention, in their essence, in what they were destined to be. In the production process more labour is absorbed than has been bought. This absorption, ||1324| this *appropriation* of another's unpaid labour, which is consummated in the production process, is the *direct aim* of the capitalist production process; for what capital as capital (hence the capitalist as capitalist) wants to produce is neither an immediate use-value for individual consumption nor a commodity to be turned first into money and then into a use-value. Its aim is the *accumulation of wealth*, the *self-expansion of value, its increase; that* is to say, the maintenance of the old value and the creation of surplus-value. And it achieves this *specific product* of the capitalist production process only in exchange with labour, which for that reason is called *productive labour*.

Labour which is to produce *commodities* must be useful labour; it must produce a *use-value*, it must manifest itself in a *use-value*. And consequently only labour which manifests itself in *commodities*, that is, in use-values, is labour for which capital is exchanged. This is a self-evident premise. But it is not this concrete character of labour, its use-value as such—that it is for example tailoring labour, cobbling, spinning, weaving, etc.—which forms its specific use-value for capital and consequently stamps it as *productive labour* in the system of capitalist production. What forms its *specific use-value* for capital is not its specific useful character, any more than it is the particular useful properties of the product in which it is materialised. But what forms its specific use-value for capital is its character as the

element which creates exchange-value, abstract labour; and in fact not that it represents some particular quantity of this general labour, but that it represents a *greater* quantity than is *contained* in its price, that is to say, in *the value of the labour-power*.

For it [capital], the use-value of labour-power is precisely the excess of the quantity of labour which it performs over the quantity of labour which is materialised in the labour-power itself and hence is required to reproduce it. Naturally, it supplies this quantity of labour *in the determinate form* inherent in it as labour which has a particular utility, such as spinning labour; weaving labour, etc. But this concrete character, which is what enables it to take the form of a commodity, is not its *specific use-value* for capital. Its specific use-value for capital consists in its quantity as labour in general, and in the difference, the excess, of the quantity of labour which it performs *over* the quantity of labour which it costs.

A certain sum of money x becomes capital in that it appears in its product as x+h; that is to say, in that the quantity of labour contained in it as product is greater than the quantity of labour which it originally contained. And this is the result of the exchange between money and productive labour; in *other* words, only that labour is *productive* which, exchanged with materialised labour, enables the latter to take the form of an increased quantity of materialised labour.

The capitalist production process, therefore, is *not* merely the production of commodities. It is a process which absorbs unpaid labour, which makes raw materials and means of labour—the means of production—into means for the absorption of unpaid labour.

It follows from what has been said that the designation of labour as *productive labour* has absolutely nothing to

do with the *determinate content* of the labour, its special utility, or the particular use-value in which it manifests itself.

The same kind of labour may be *productive* or *unproductive*.

For example Milton, who wrote *Paradise Lost* for five pounds, was an *unproductive labourer*. On the other hand, the writer who turns out stuff for his publisher in factory style, is a *productive labourer*. Milton produced *Paradise Lost* for the same reason that a silk worm produces silk. It was an activity of *his* nature. Later he sold the product for £5. But the literary proletarian of Leipzig, who fabricates books (for example, Compendia of Economics) under the direction of his publisher, is a *productive labourer;* for his product is from the outset subsumed under capital, and comes into being only for the purpose of increasing that capital. A singer who sells her song for her own account is an *unproductive labourer*. But the same singer commissioned by an entrepreneur to sing in order to make money for him is a *productive labourer;* for she produces capital.

[(E) Unproductive Labour. As Labour which Performs Services; Purchase of Services under Conditions of Capitalism. Vulgar Conception of the Relation Between Capital and Labour as an Exchange of Services]

||1325| Here different questions must be distinguished.

Whether I buy a pair of trousers or whether I buy cloth and get a tailor to come to my house and pay him for this *service* (that is, his tailoring labour) in converting this cloth into trousers, is a matter of complete

indifference to me, if all I am interested in is the trousers. I buy the trousers from the merchant-tailor instead of taking the latter course, because this latter course is more expensive, and the trousers cost less labour and are therefore cheaper when the capitalist tailor produces them than when I get them made by a jobbing tailor. But in both cases I transform the money with which I buy the trousers not into capital but into trousers; and in both cases it is for me only a matter of using the money as mere means of circulation, that is, of transforming it into this particular use-value. Here therefore the money does *not* function as capital, although in one case it exchanges for a *commodity* and in the other case it buys *labour* itself as a *commodity*. It functions only as money, and more precisely, as means of circulation.

On the other hand the jobbing tailor [who works for me at my home] is *not a productive labourer*, although his labour provides me with the product, the trousers, and him with the price of his labour, the money. It may be that the quantity of labour performed by the jobbing tailor is greater than that contained in the price which he gets from me. And this is even probable, since the price of his labour is determined by the price which the *productive tailor* gets. This however is all the same so far as I am concerned. Once the price has been fixed, it is a matter of complete indifference to me whether he works eight or ten hours. What I am concerned with is only the *use-valve*, the trousers; and naturally, whether I buy them one way or the other, I am interested in paying as little as possible for them, but in one case neither less nor more than in the other; in other words, I am interested in *paying only the normal price for them*. This is an *outlay* for my consumption; not an increase but a diminution of my money. It is in no way a means to my enrichment, any more than any other way of

spending money for my *personal consumption* is a means to enrichment for me.

One of the savants of Paul de Kock may tell me that without buying trousers, just as without buying bread, I cannot live, and therefore also I cannot *enrich* myself; that the purchase of the trousers is therefore an indirect means, or at least a condition, for my enrichment —in the same way as the circulation of my blood or the process of breathing are conditions for my enrichment. But neither the circulation of my blood nor my breathing in themselves make me any the richer; on the contrary, they both presuppose a costly assimilation of food; if that were *not* necessary, there would be no poor devils about. The mere *direct* exchange of money for labour therefore does *not* transform money into capital or labour into productive labour.

What then is the special character of this exchange? How is it different from the exchange of money for productive labour? On the one hand, in that the *money* is spent *as money*, as the independent form of exchange-value, which is to be transformed into a *use-value*, into means of subsistence, into an object for personal consumption. The money therefore does not become capital, but on the contrary, it loses its existence as exchange-value in order to be consumed and expended as use-value. On the other hand, the labour only has any interest for me as a use-value, as a *service* which converts cloth into trousers, as the service which its particular useful character provides for me.

In contrast to this, the service which the same tailor employed by a merchant-tailor renders to this capitalist does *not* consist at all in the fact that he converts cloth into trousers, but that the necessary labour-time materialised in a pair of trousers is say twelve hours, while the wage that the journeyman tailor gets is equivalent to six hours. The service which he renders the

capitalist is therefore that he works six hours for nothing. That this takes place in the form of making trousers only *conceals* the real relationship. As soon as the merchant-tailor can, he therefore tries to transform the trousers again into money, that is, into a form in which the determinate character of tailoring labour has entirely disappeared and in which the service rendered is consequently expressed in the fact that instead of a labour-time of six hours, ||1326| expressed in a certain sum of money, there is now a labour-time of twelve hours, expressed in double that sum of money.

I buy the tailoring labour for the service it renders me as *tailoring labour*, in order to satisfy my need for clothing and consequently to serve one of my *needs*. The merchant-tailor buys it as a means to making two talers *out* of one. I buy it because it produces a particular use-value, renders me a particular service. He buys it because it produces more exchange-value than it costs, as a mere means for exchanging less labour for more labour.

Where the direct exchange of money for labour takes place without the latter producing capital, where it is therefore *not productive* labour, it is bought as *service*, which in general is nothing but a term for the particular use-value which the labour provides, like any other commodity; it is however a specific term for the particular use-value of labour in so far as it does not render service in the form of a *thing*, but in the form of an *activity*, which however in no way distinguishes it for example from a machine, for instance a clock. *Do ut facias, facio ut facias, facio ut des, do ut des* are here forms that can be used quite indifferently to describe the same relation, while in capitalist production the *do ut facias* expresses a quite specific relation between the material value which is given and the living activity which is appropriated. Because therefore in the purchase of *services* the specific relation between labour and capital is in no way involved, being either completely

obliterated or altogether absent, it is naturally the favourite form used by Say, Bastiat and their consorts to express the *relation between capital and labour*.

The question how the *value* of these services is regulated and how this *value* itself is determined by the laws governing wages has nothing to do with the examination of the relation we are considering, and belongs to the chapter on wages.

It follows that the mere exchange of money for labour does not make the latter *productive labour*, and that on the other hand the *content of* this labour at first makes no difference.

The labourer himself can buy labour, that is, commodities, which are provided in the form of services; and the expenditure of his wages on such services is an expenditure which in no way differs from the expenditure of his wages on any other commodities. The service which he buys may be more or less necessary —for example, the service of a physician or of a priest, just as he may buy either bread or gin. As buyer—that is, as representative of money confronting commodity—the labourer is in absolutely the same category as the capitalist where the latter appears only as buyer, that is to say, where there is no more in the transaction than the conversion of money into the form of commodity. How the price of these services is determined, and what relation it has to wages proper, how far it is regulated by the laws of the latter and how far it is not, are questions to be considered in the treatment of wages, and are quite irrelevant for our present inquiry.

If thus the mere exchange of money for labour does not transform the latter into *productive labour*, or, what is the same thing, does not transform the former into capital, so also the *content*, the concrete character, the particular utility of the labour, seems at first to make no

difference—as we have just seen, the same labour of the same journeyman tailor is in one case productive, in the other not.

Certain *services*, or the *use-values*, resulting from certain forms of activity or labour are embodied in *commodities;* others on the contrary leave no tangible result *existing apart* from the persons themselves who perform them; in other words, their result is not a *vendible commodity*. For example, the service a singer renders to me satisfies my aesthetic need; but what I enjoy exists only in an activity inseparable from the singer himself, and as soon as his labour, the singing, is at an end, my enjoyment too is at an end. I enjoy the activity itself—its reverberation on my ear. These services themselves, like the commodities which I buy, may be necessary or may only seem necessary—for example, the service of a soldier or physician or lawyer; or they may be services which give me pleasure. But this makes no difference to their economic character. If I am healthy and do not need a doctor or am lucky enough not to have to be involved in a lawsuit, then I avoid paying out money for medical or legal services as I do the plague.

||1328| *Services* may also be forced on me—the *services of officials*, etc.

If I buy the service of a teacher not to develop my faculties but to acquire some skill with which I can earn money—or if others buy this teacher for me—and if I really learn something (which in itself is quite independent of the payment for the service), then these costs of education, just as the costs of my maintenance, belong to the costs of production of my labour-power. But the particular utility of this service *alters nothing in the economic relation;* it is not a relation in which I transform money into capital, or by which the supplier of this service, the teacher, transforms me into *his capitalist*, his master. Consequently it also does

not affect the *economic character* of this relation whether the physician cures me, the teacher is successful in teaching me, or the lawyer wins my lawsuit. What is paid for is the performance of the service as such, and by its very nature the result cannot be guaranteed by those rendering the service. A large proportion of *services* belongs to the *costs of consumption* of commodities, as in the case of' a cook, a maid, etc.

It is characteristic of all *unproductive labours* that they are at my command—as in the case of the purchase of all other commodities for consumption—only to the same extent as I exploit *productive labourers*. Of all persons, therefore, the *productive labourer* has the least command over the *services* of unproductive labourers. On the other hand, however, my power to employ *productive labourers* by no means grows in the same proportion as I employ *unproductive labourers*, but on the contrary diminishes in the same proportion, although [one has] most to pay for the *compulsory* services (State, taxes).

Productive labourers may themselves in relation to me be *unproductive labourers*. For example, if I have my house re-papered and the paper-hangers are wage-workers of a master who sells me the job, it is just the same for me as if I had bought a house already papered; as if I had expended money for a commodity for my consumption, But for the master who gets these labourers to hang the paper, they are productive labourers, for they produce surplus-value for him. |1328||

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||1333| How very *unproductive*, from the standpoint of capitalist production, the labourer is who indeed produces vendible commodities, but only to the amount equivalent to his own labour-power, and therefore produces no surplus-value for capital—can be seen from

the passages in Ricardo saying that the very existence of such people is a nuisance. This is the theory and practice of capital.

> "Both the theory relative to capita], and *the practice of stopping labour at that point* where it can produce, in addition to the subsistence of the labourer, a *profit* for* the capitalist, seem opposed to the natural laws which regulate production " (Thomas Hodgskin, *Popular Political Economy*, London, 1827, p. 238). |1333||

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||1336| We have seen: This process of production is not only a process of the production of *commodities*, but a process of the production of *surplus-value*, the absorption of surplus-labour and hence a process of production of capital. The first formal act of exchange between money and labour or capital and labour is only *potentially* the appropriation of someone else's living labour by materialised labour. The actual process of appropriation takes place only in the actual production process, behind which lies as a past stage that first formal transaction—in which capitalist and labourer confront each other as *mere owners of commodities*, as buyer and seller. For which reason all vulgar economists—like Bastiat —go no further than that first formal transaction, precisely in order by this trick to get rid of the specific capitalist relation. The distinction is shown in a striking way by the exchange of money for unproductive labour. Here money and labour exchange with each other *only* as commodities. So that instead of this exchange forming capital, it is *expenditure of revenue*. |1336||

[(F) The Labour of Handicraftsmen and Peasants in Capitalist Society]

||1328| What then is the position of independent handicraftsmen or peasants who employ no labourers and therefore do not produce as capitalists? Either, as always in the case of peasants <but for example not in the case of a gardener whom I get to come to my house>, they are *producers of commodities*, and I buy the *commodity* from them—in which case for example it makes no difference that the handicraftsman produces it to order while the peasant produces his supply according to his means. In this capacity they confront me as sellers of commodities, not as sellers of labour, and this relation therefore has nothing to do with the exchange of capital for labour; therefore also it has nothing to do with the distinction between *productive and unproductive labour*, which depends entirely on whether the labour is exchanged for money or for money as money as capital. They therefore belong neither to the category of *productive* nor of *unproductive labourers*, although they are producers of commodities. But their production does not fall under the capitalist mode of production.

It is possible that these producers, working with their own means of production, not only reproduce their labour-power but create surplus-value, while their position enables them to appropriate for themselves their own surplus-labour or a part of it (since a part of it is taken away from them in the form of taxes, etc.). And here we come up against a peculiarity that is characteristic of a society in which one definite mode of production predominates, even though not all productive relations have been subordinated to it. In feudal society, for example (as we can best observe in England because the system of feudalism was introduced here from Normandy ready made and its form was impressed on what was in many respects a different social foundation), relations which were far removed from the nature of feudalism were given a feudal form; for example, simple money relations in which there was no trace of mutual

personal service as between lord and vassal, It is for instance a fiction that the small peasant held his land in fief.

It is exactly the same in the capitalist mode of production. The independent peasant or handicraftsman is cut up into two persons*. As owner of the means of production he is capitalist; as labourer he is his own wage-labourer. As capitalist he therefore pays himself his wages and draws his profit on his capital; that is to say, he exploits himself as wage-labourer, and pays himself, in the surplus-value, the tribute that labour owes to capital. Perhaps he also pays himself a third portion as landowner (rent), in exactly the same way, as we shall see later, that the industrial capitalist, when he works with his own ||1329| capital, pays himself interest, regarding this as something which he owes to himself not as industrial capitalist but *qua* capitalist pure and simple.

The *determinate social character* of the means of production in capitalist production—expressing a particular *production relation* —has so grown together with, and in the mode of thought of bourgeois society is so inseparable from, the material existence of these means of production as means of production, that the same determinateness (categorical determinateness) is assumed even where the relation is in direct contradiction to it. The means of production become capital only in so far as they have become separated from labourer and confront labour as an independent power. But in the case referred to the producer—the labourer— is the possessor, the owner, of his means of production. They are therefore not capital, any more than in relation to them he is a wage-labourer. Nevertheless they are looked on as capital, and he himself is split in two, so that *he*, as capitalist, employs himself as wage-labourer.

In fact this way of presenting it, however irrational it may be on first view, is nevertheless so far correct, that in

this case the producer in fact creates his own surplus-value <on the assumption that he sells his commodity at its value>, in other words, only his own labour is materialised in the whole product. But that he is able to appropriate *for himself* the whole product of his own labour, and that the excess of the value of his product over the average price for instance of his day's labour is not appropriated by a third person, a *master*, he owes not to his labour —which does not distinguish him from other labourers —but to his ownership of the means of production. It is therefore only through his ownership of these that he takes possession of his own surplus-labour, and thus bears to himself as wage-labourer the relation of being his own capitalist.

Separation appears as the normal relation in this society. Where therefore it does not in fact apply, it is presumed and, as has just been shown, so far correctly; for (as distinct for example from conditions in Ancient Rome or Norway or in the north-west of the United States) in this society *unity* appears as accidental, *separation* as normal; and consequently separation is maintained as the relation even when one person unites the separate functions. Here emerges in a very striking way the fact that the capitalist as such is only a function of capital, the labourer a function of labour-power. For it is also a law that economic development distributes functions among different persons; and the handicraftsman or peasant who produces with his own means of production will either gradually be transformed into a small capitalist who also exploits the labour of others, or he will suffer the loss of his means of production <in the first instance the latter may happen although he remains their *nominal* owner, as in the case of mortgages> and be transformed into a wage-labourer. This is the tendency in the form of society in which the capitalist mode of production predominates.

[(G) Supplementary Definition of Productive Labour as Labour which is Realised in Material Wealth]

In considering the essential relations of capitalist production it can therefore be assumed that the entire world of commodities, all spheres of material production—the production of material wealth—are (formally or really) subordinated to the capitalist mode of production <for this is what is happening more and more completely; [since it] is the principal goal, and only if it is realised will the productive powers of labour be developed to their highest point>. On this premise—which expresses the limit [of the process] and which is therefore constantly coming closer to an exact presentation of reality—all labourers engaged in the production of commodities are wage-labourers, and the means of production in all these spheres confront them as capital. It can then be said to be a characteristic of *productive labourers*, that is, labourers producing capital, that their labour realises itself in *commodities*, in material wealth. And so *productive labour*, along with its determining characteristic—which takes no account whatever of the *content of labour* and is entirely independent of that content—would be given a second, different and subsidiary definition.

[(H) Manifestations of Capitalism in the Sphere of Immaterial Production]

Non-material production, even when it is carried on purely for exchange, that is, when it produces *commodities*, may be of *two* kinds:

1. It results in *commodities*, use-values, which have a form different from and independent of producers and consumers; these commodities may therefore exist

during an interval between production and consumption and may in this interval circulate as *vendible commodities*, such as books, paintings, in a word, all artistic products which are distinct from the artistic performance of the artist performing them. Here capitalist production is applicable only to a very restricted extent: as for example when a writer of a joint work—say an encyclopaedia—exploits a number of others as hacks. ||1330 | In this sphere for the most part a *transitional form* to *capitalist production* remains in existence, in which the various scientific or artistic producers, handicraftsmen or experts work for the collective trading capital of the book-trade—a relation that has nothing to do with the capitalist mode of production proper and even formally has not yet been brought under its sway. The fact that the exploitation of labour is at its highest precisely in these transitional forms in no way alters the case.

2. The production cannot be separated from the act of producing, as is the case with all performing artists, orators, actors, teachers, physicians, priests, etc. Here too the capitalist mode of production is met with only to a small extent, and from the nature of the case can only be applied in a few spheres. For example, teachers in educational establishments may be mere wage-labourers for the entrepreneur of the establishment; many such educational factories exist in England. Although in relation to the pupils these teachers are not *productive labourers*, they are productive labourers in relation to their employer. He exchanges his capital for their labour-power, and enriches himself through this process. It is the same with enterprises such as theatres, places of entertainment, etc. In such cases the actor's relation to the public is that of an artist, but in relation to his employer he is a *productive labourer*. All these manifestations of capitalist production in this sphere are

so insignificant compared with the totality of production that they can be left entirely out of account.

[(I) The Problem of Productive Labour from the Standpoint of the Total Process of Material Production]

With the development of the specifically capitalist mode of production, in which many labourers work together in the production of the same commodity, the direct relation which their labour bears to the object produced naturally varies greatly. For example the unskilled labourers in a factory referred to earlier have nothing directly to do with the working up of the raw material. The workmen who function as overseers of those directly engaged in working up the raw material are one step further away; the works engineer has yet another relation and in the main works only with his brain, and so on. But the *totality of these labourers*, who possess labour-power of different value (although all the employed maintain much the same level) produce the result, which, considered as the *result* of the labour-process pure and simple, is expressed in a *commodity* or *material product;* and all together, as a workshop, they are the living production machine of these *products*—just as, taking the production process as a whole, they exchange their labour for capital and reproduce the capitalists' money as capital, that is to say, as value producing surplus-value, as self-expanding value.

It is indeed the characteristic feature of the capitalist mode of production that it separates the various kinds of labour from each other, therefore also mental and manual labour—or kinds of labour in which one or the other predominates—and distributes them among different people. This however does not prevent the material

product from being the *common product of* these persons, or their common product embodied in material wealth; any more than on the other hand it prevents or in any way alters the relation of each one of these persons to capital being that of wage-labourer and in this pre-eminent sense being that of a *productive labourer*. All these persons are not only *directly* engaged in the production of material wealth, but they exchange their labour *directly* for money as capital, and consequently directly reproduce, in addition to their wages, a surplus-value for the capitalist, Their labour consists of paid labour plus unpaid surplus-labour.

[(J) The Transport Industry as a Branch of Material Production. Productive Labour in the Transport Industry]

In addition to extractive industry, agriculture and manufacture, there exists yet a fourth sphere of material production, which also passes through the various stages of handicraft industry, manufacture and mechanical industry; this is the *transport industry*, transporting either people or commodities. The relation of *productive labour*—that is, of the wage-labourer—to capital is here exactly the same as in the other spheres of material production. Moreover, here a material change is effected in the object of labour—a *spatial* change, a change of place. In the case of the transport of people this takes the form only of a *service* rendered to them by the entrepreneur. But the relation between buyer and seller of this *service* has nothing to do with the relation of the productive labourer to capital, any more than has the relation between the buyer and seller of yarn.

If on the other hand we consider the process in relation to commodities, ||1331| in this case there certainly takes place, in the labour-process, a change in the object of

labour, the *commodity*. Its spatial existence is altered, and along with this goes a change in its use-value, since the location of this use-value is changed. Its exchange-value increases in the same measure as this change in use-value requires labour—an amount of labour which is determined partly by the wear and tear of the constant capital, that is, the total materialised labour which enters into the commodity, and partly by the quantity of living labour, as in the process of increasing the value of all other commodities.

When the commodity has reached its destination, this change which has taken place in its use-value has vanished, and is now only expressed in its higher exchange-value, in the enhanced price of the commodity. And although in this case the real labour has left no trace behind it in the use-value, it is nevertheless realised in the exchange-value of this material product; and so it is true also of this industry as of other spheres of material production that the labour incorporates itself in the *commodity*, even though it has left no visible trace in the use-value of the commodity.

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Here we have been dealing only with *productive capital*, that is, capital employed in the *direct process of production*. We come later to capital in the *process of circulation*. And only after that, in considering the special form assumed by capital as *merchant's capital*, can the question be answered as to how far the labourers employed by it are productive or unproductive. |XXI-1331||

[13. Draft Plans for parts I and III of *Capital*]

[(A) Plan for Part I or Section I of *Capital*]

||XVIII-1140| The first section "*Production Process of Capital*" to be divided in the following way:

1. Introduction. Commodity. Money.

2. Transformation of money into capital.

3. Absolute surplus-value. (a) Labour-process and the process of producing surplus-value. (b) Constant capital and variable capital. (c) Absolute surplus-value. (d) Struggle for the normal working-day. (e) Simultaneous working-days (number of simultaneously employed labourers). Amount of surplus-value and rate of surplus-value (magnitude and height?).

4. Relative surplus-value. (a) Simple co-operation. (b) Division of labour. (c) Machinery. etc.

5. Combination of absolute and relative surplus-value. Relation (proportion) between wage-labour and surplus-value. Formal and real subsumption of labour under capital. Productivity of capital. Productive and unproductive labour.

6. Reconversion of surplus-value into capital. Primitive accumulation. Wakefield's colonial theory.

7. Result of the production process.

(Either under 6 or under 7 the change in the form of the law of appropriation can be shown.)

8. Theories of surplus-value.

9. Theories of productive and unproductive labour. |XVIII-1140||

[(B) Plan for Part III or Section III of *Capital*]

||XVIII-1139| The third section "*Capital and Profit*" to be divided in the following way:

1. Conversion of surplus-value into profit. Rate of profit as distinguished from rate of surplus-value.

2. Conversion of profit into average profit. Formation of the general rate of profit. Transformation of values into prices of production.

3. Adam Smith's and Ricardo's theories on profit and prices of production.

4. Rent (illustration of the difference between value and price of production).

5. History of the so-called Ricardian law of rent.

6. Law of the fall of the rate of profit. Adam Smith, Ricardo, Carey.

7. Theories of profit.

(Query: whether Sismondi and Malthus should also be included in the *Theories of Surplus-Value*.)

8. Division of profit into industrial profit and interest. Merchant's capital. Money-capital.

9. Revenue and its sources. The question of the relation between the processes of production and distribution also to be included here.

10. Reflux movements of money in the process of capitalist production as a whole.

11. Vulgar economy.

12. Conclusion. Capital and wage-labour. |XVIII-1139||.

[(C) Plan for Chapter II of Part III of *Capital*]

||XVIII-1109| In the second chapter of Part III, on "*Capital and Profit*", where the formation of the general rate of profit is dealt with, the following must be considered:

1. Different organic composition of capitals, partly conditioned by the difference between variable and constant capital in so far as this arises from the *stage of production—the* absolute *quantitative* relations between machinery and raw materials on the one hand, and the quantity of labour which sets them in motion. These differences relate to the labour-process. The differences between fixed and circulating capital arising from the circulation process have also to be considered—differences which lead to variations in the increase of value, in a given period of time, as between different spheres.

2. Differences in the relative value of the parts of different capitals which do not arise from their organic composition. These arise from the difference of value particularly of the raw materials, even assuming that the raw materials absorb an equal quantity of labour in two different spheres.

3. The result of those differences is diversity of the rates of profit in different spheres of capitalist production. It is true only for capitals of equal composition, etc., that the rate of profit is the same and the quantity of profit is in proportion to the size of the capital employed.

4. For the total capital, however, what has been explained in Chapter I holds good. In capitalist

production each capital is assumed to be a unit, an aliquot part of the *total* capital. Formation of the general rate of profit (competition).

5. Transformation of values into prices of production. Difference between value, cost-price, and production price.

6. To take up also the Ricardian point: the influence of general variations in wages on the general rate of profit and hence on prices of production. |XVIII-1109||

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* In the manuscript: “are”.—Ed.

* In the manuscript: “Am besten sie zum Bauen van Strassen, Brücken, Bergwerken etc. zu verwenden.”—Ed.

* In the manuscript: “than upon” instead of “then about the”.—Ed.

* In the manuscript: “thither”.—Ed.

* In the manuscript: “puts”.—Ed.

* In the manuscript: “which might men”.—Ed.

** In the manuscript: “which”.—Ed.

* In the manuscript: “and”.—Ed.

* In the manuscript: “deal”.—Ed.

** In the manuscript this is followed by the word: “very”.—Ed.

*** In the manuscript this is followed by the word: “very”.—Ed.

* In the manuscript: “*viz*”.—Ed.

** In the manuscript: “to the farther increase of commerce “.—Ed.

*** In the manuscript this is followed by the word: “true”.—Ed.

**** In the manuscript: “to be”.—Ed.

***** In the manuscript: “2,000£”.—Ed.

* In the manuscript: “got”.—Ed.

** In the manuscript: “by a decrease of foreign trade”.—Ed.

*** In the manuscript: “Commerce”.—Ed.

* In the manuscript: “...am grössten, interest am höchsten”.—Ed.

** In the manuscript: “motives”.—Ed.

*** In the manuscript: “the”.—Ed.

* Commodity exchange.—Ed.

* In the manuscript: “this”.—Ed

* In the manuscript: “the”.—Ed.

** In the manuscript: “sellers not enriched”.—Ed.

* In the manuscript: “destroyed”.—Ed.

* In essence.—Ed.

* In the manuscript: “to”.—Ed.

* “In small enterprises [...] *the employer* is often his *own labourer*” (Storch, [*Cours d’économie politique*], t. I, Petersburg edition, p. 242).

[CHAPTER VIII] Herr Rodbertus. New Theory of Rent. (Digression)

[1. Excess Surplus-Value in Agriculture. Agriculture Develops Slower Than Industry under Conditions of Capitalism]

||X-445| *Herr Rodbertus. Dritter Brief an von Kirchmann von Rodbertus. Widerlegung der Ricardoschen Lehre von der Grundrente und Begründung einer neuen Rententheorie*, Berlin, 1851.

The following remark has to be made beforehand: supposing the necessary wage is equal to 10 hours, then this is most easily explained in the following manner. If 10 hours' labour (i.e., a sum of money equal to 10 hours)

enabled the agricultural labourer, on an average, to purchase all the necessary means of subsistence, agricultural, industrial products, etc., then this is the average wage for unskilled labour. We are thus concerned here with the value of his daily product which must fall to his share. In the first place this value exists in the form of the *commodity* which he produces, i.e., [in] a certain *quantity of this commodity*, in exchange for which, after deducting what he himself consumes of the commodity (if he [does consume any of it]), he can procure for himself the necessary means of subsistence. Not only the *use-value* which he himself produces, but industry, agriculture, etc., thus come into the estimation of his necessary "income. But this is inherent in the concept of *commodity*. He produces a commodity, not merely a product. We need therefore waste no words about this.

Herr Rodbertus first investigates the situation in a country where there is *no separation* between land ownership and owner-ship of capital. And here he comes to the important conclusion that rent (by which he means the entire *surplus-value*) is simply equal to the unpaid labour or the quantity of products which it represents.

In the first instance it is noteworthy that Rodbertus only takes into account the growth of *relative* surplus-value, i.e., the growth of surplus-value in so far as it arises out of the growing productivity of labour and not the growth of surplus-value derived from the prolongation of the working-day itself. All absolute surplus-value is of course relative in one respect. Labour must be sufficiently productive for the worker not to require all his time to keep himself alive. But from this point the distinction comes into force. Incidentally, if originally labour is but little productive, the needs are also extremely simple (as with slaves) and the masters themselves do not live much better than the servants. The relative productivity of labour necessary

before a profit-monger, a parasite, can come, into being is very small. If we find a high rate of profit though labour is as yet very unproductive, and machinery, division of labour etc., are not used, then this is the case only under the following circumstances; either as in India, partly because the requirements of the worker are extremely small and he is depressed even below his modest needs, but partly also because low productivity of labour is identical with a relatively small fixed capital in proportion to the share of capital which is spent on wages or, and this comes to the same thing, with a relatively high proportion of capital laid out in wages in relation to the total capital; or finally, because labour-time is excessively long, The latter is the case in countries (such as Austria etc.) where the capitalist mode of production is already in existence but which have to compete with far more developed countries. Wages can be low here partly because the requirements of the worker are less developed, partly because agricultural products are cheaper or—this amounts to the same thing as far as the capitalist is concerned—because they have less value in terms of money. Hence the quantity of the product of, say, 10 hours' labour, which must go to the worker as necessary wages, is small. If, however, he works 17 hours instead of 12 then this can make up (for the low productivity of labour]. In any case because in a given country the value of labour is falling relatively to its productivity, it must not be imagined that wages in different countries are inversely proportional to the productivity of labour. In fact exactly the opposite is the case. The more productive one country is relative to another in the world market, the higher will be its wages as compared with the other. In England, not only nominal wages but [also] real wages are higher than on the continent. The worker eats more meat; he satisfies more needs. This, however, only applies to the industrial worker and not the agricultural labourer. But in proportion to the productivity of the

English workers their wages are not higher (than the wages paid in other countries].

Quite apart from the variation in rent according to the fertility of the land, the very existence of rent—i.e., the modern form of landed property—is feasible because the average wage of the agricultural labourer is below that of the industrial worker. Since, to start with, by tradition (as the farmer turns capitalist before capitalists turn farmers) the capitalist passed on part of his gain to the landlord, he compensated himself by forcing wages down below their level. With the labourers' desertion of the land, wages had to rise and they did rise. But hardly has this pressure become evident, when machinery etc. is introduced and the land once more boasts a (relative) surplus population. (Vide England.) Surplus-value can be increased, without the extension of labour-time or the development of the productive power of labour, by forcing wages below their traditional level. And indeed this is the case wherever agricultural production is carried on by capitalist methods. Where it cannot be achieved by means of machinery, it is done by turning the land over to sheep grazing. Here then we already have a *potential basis* of ||446| rent since, *in fact*, the agricultural labourer's wage does not equal the average wage. This rent would be feasible quite independent of the *price* of the product, which is equal to its value.

Ricardo is also aware of the second type of rent increase, which arises from a greater product sold at the same price, but he does not take it into account, since he measures rent per quarter and not per acre. He would not say that rent has risen (and *in this way* rent can rise with falling prices) because 20 quarters [at] 2s, is more than 10 [quarters at] 2s, or 10 quarters [at] 3s.

Incidentally, however the phenomenon of rent may be explained, the *significant difference* between agriculture and industry remains, in that in the latter, excess surplus-

value is created by cheaper production, in the former, by dearer production. If the average price of 1 lb. of yarn is 2s. and I can produce it for 1s. then, in order to gain an increased market for it, I will necessarily sell [it] for 1s. 6d. [or] at any rate below 2s. And what is more, this is absolutely necessary, for cheaper production presupposes production on a larger scale. So, compared with before, I am now glutting the market, I must sell more than before. Although 1 lb. of yarn costs only 1s. this is only the case if I now produce, say, 10,000 lbs. as against my previous 8,000 lbs. The low cost is only achieved because fixed capital is spread over 10,000 lbs. If I were to sell only 8,000 lbs., the depreciation of the machines alone would raise the price per lb. by one-fifth, i.e., 20 per cent. So I sell at below 2s. in order to be able to sell 10,000 lbs. In doing so, I am still making an excess profit of 6d., i.e., of 50 per cent on the value of my product which is 1s. and already includes the normal profit. In any case, I am hereby forcing down the market-price with the result that the consumer gets the product more cheaply. But in agriculture I sell at 2s. since, if I had sufficient fertile land, the less fertile would not be cultivated. If the area of fertile land were enlarged, or the fertility [of the] poorer soil so improved that I could satisfy demand, then this game would end, Not only does Ricardo not deny this, but he expressly calls attention to it.

Thus if we admit that the varying fertility of the land accounts not for rent itself, but only for the differences in rent, there remains the law that while in industry, on an average, excess profit arises from the lowering of the price of the product, in agriculture the relative size of rent is determined not only by the relative raising of the price (raising the price of the product of fertile land above its value) but by selling the cheaper product at he cost of the dearer. This is, however, as I have already demonstrated (Proudhon), merely the law of competition, which does

not emanate from the “soil” but from “capitalist production” itself.

Furthermore, Ricardo would be right in another respect, except that, in the manner of the economists, he turns a historical phenomenon into an eternal law. This historical phenomenon is the relatively faster development of manufacture (in fact the truly bourgeois branch of industry) as against agriculture. The latter has become more productive but not in the same ratio as industry. Whereas in manufacture productivity has increased tenfold, in agriculture it has, perhaps, doubled. Agriculture has therefore become relatively less productive, although absolutely more productive. This only proves the very queer development of bourgeois production and its inherent contradictions. It does not, however, invalidate the proposition that agriculture becomes relatively less productive and hence, compared with the value of the industrial product, the value of the agricultural product rises and with it also rent. That in the course of development of capitalist production, agricultural labour has become relatively less productive than industrial labour only means that the productivity of agriculture has not developed with the same speed and to the same degree.

Suppose the relation of industry A to industry B is as 1:1. Originally agriculture [was] more productive because not only natural forces but also a machine created by nature play a part in agriculture; right from the start, the individual worker is working with a machine. Hence, in ancient times and in the Middle Ages agricultural products were relatively much cheaper than industrial products, which is obvious (see Wade) from the ratio of the two within the average wage.

At the same time let 1°: 1° indicate the fertility of the two [branches of production]. Now if industry A becomes 10°, [i.e.] its fertility increases tenfold while industry B merely

increases threefold, becomes 3°, then whereas the industries were previously as 1:1 they are now as 10:3 or as 1 : $^{3}/_{10}$. The fertility of industry B has decreased relatively by $^{7}/_{10}$ although absolutely it has increased threefold. For the highest rent [it is] the same—relatively to industry—as if it had risen because the poorest land had become $^{7}/_{10}$ less fertile.

Now it does not by any means follow, as Ricardo supposes, that the rate of profit has fallen because wages have risen as a result of the relative increase in the price of agricultural products ||447|. For the average wage is not determined by the relative but by the absolute value of the products which enter into it. It does however follow that the rate of profit (really the rate of surplus-value) has not risen in the same ratio as the productive power of manufacturing industry, and this is due to agriculture (not the land) being relatively less productive. This is absolutely certain. The reduction in the necessary labour-time seems small compared with the progress in industry. This is evident from the fact that the agricultural products of countries like Russia etc. can beat those of England. The lower value of money in the wealthier countries (i.e., the low relative production costs of money in the wealthier countries) does not enter into it at all. For the question is, why it does not affect their industrial products in competition with poorer countries when it does affect their agricultural products. (Incidentally, this does not prove that poor countries produce more cheaply, that their agricultural labour is more productive. Even in the United States, the volume of corn at a given price has increased, as has recently been proved by statistical information, not however because the yield per acre has risen, but because more acres have come under cultivation. It cannot be said that the land is more productive where there is a great land mass and where large areas, superficially cultivated, yield a greater absolute product with the same

amount of labour than much smaller areas in the more advanced country.)

The fact that *less productive* land is brought under cultivation does not necessarily prove that agriculture has become less productive. On the contrary, it may prove that it has become more productive; that the inferior land is being cultivated, not [only] because the price of the agricultural product has sufficiently risen to compensate for the capital investment, but also the converse, that the means of production have developed to such an extent that the unproductive land has become "productive" and capable of yielding not only the normal profit but also rent. Land which is fertile at a [given] stage of development of productive power may be unfertile for a lower developmental stage.

In agriculture, the extension of labour-time—i.e., the augmentation of absolute surplus-value—is only possible to a limited degree. One cannot work by gaslight on the land and so on. True, one can rise early in spring and summer. But this is offset by the shorter winter days when, in any case, only a relatively small amount of work can be accomplished. So in this respect *absolute surplus-value is greater in industry* so long as the normal working-day is not regulated by force of law. A second reason for a smaller amount of surplus-value being created in agriculture is the long period during which the product remains in the process of production without any labour being expended on it. With the exception of certain branches of agriculture such as stock-raising, sheep farming, etc., where the population is positively ousted from the land, the number of people employed relatively to the constant capital used, is still far greater—even in the most advanced large-scale agriculture—than in industry, or at least in the dominating branches of industry. Hence in this respect even if, for the above-mentioned reasons, the mass of surplus-value is relatively smaller than it [would be] with the employment of the

same number of people in industry—this latter condition is partly offset again by the wage falling below its average level—the rate of profit can be greater than in industry, But if there are, in agriculture, any causes (we only indicate the above) which raise the rate of profit (not temporarily but on an average as compared with industry) then the mere existence of the landlord would cause this extra profit to consolidate itself and accrue to the landlord rather than enter into the formation of the general rate of profit.

[2. The Relationship of the Rate of Profit to the Rate of Surplus-Value. The Value of Agricultural Raw Material as an Element of Constant Capital in Agriculture]

In general terms the question to be answered with regard to Rodbertus is as follows:

The general form of capital advanced is:

Constant capital	*Variable capital*
Machinery—Raw materials	Labour-power

In general the two elements of constant capital are the instruments of labour and the subject of labour. The latter is not necessarily a commodity, a product of labour. It may therefore not exist as an *element of capital*, although it is invariably an *element in the labour-process*. Soil is the husbandman's raw material, the mine

that of the miner, the water that of the fisherman and even the forest is that of the hunter. In the most complete form of capital, however, these three elements of the labour-process also exist as three elements of capital, i.e., they are all commodities, use-values which have an exchange-value and are products of labour. In this case all three elements enter into the process of creating value, although machinery [enters into it] not to the extent to which it enters into the labour-process but only in so far as it is consumed.

The following question now arises: Can the absence of one of these elements in a particular branch of industry enhance the *rate of profit* (not the rate of surplus-value) in that industry? In general terms, the formula itself provides the answer:

The rate of profit equals the ratio of surplus-value to the total capital advanced.

Throughout this investigation it is assumed that the *rate of surplus-value*, i.e., the division of the value of the product between the capitalist and the worker, remains constant.

||448| The rate of surplus-value is s/v; the rate of profit is $s/c+v$. Since *s'*, the rate of surplus-value, is given, v is given and s/v is assumed to be a constant value. Therefore the magnitude of $s/c+v$ can only alter when $c + v$ changes and since v is given, this can only increase or decrease because c decreases or increases.

And further, $s/c+v$ will increase or decrease not in the ratio of $c : v$ but according to c's relation to the sum of $c + v$, If c equals nought, then $s/c+v = s/v$. The rate of profit [would] in this case equal the rate of surplus-value and this is its highest possible amount, since no sort of *calculation* can alter the magnitude of s and v. Suppose $v = 100$ and $s = 50$, then s/v

$= {}^{50}/_{100} = {}^{1}/_{2} =$ 50 per cent. If a constant capital of 100 were added, then the rate of profit [would be] ${}^{50}/_{150}+100 = {}^{50}/_{200} = {}^{1}/_{4} =$ 25 per cent. The rate of profit would have decreased by half. If 150 *c* were added to 100 *v* then the rate of profit would be ${}^{50}/_{100}+150 = {}^{50}/_{250} = {}^{1}/_{5} =$ 20 per cent. In the first instance, total capital equals *v*, i.e., equals variable capital, hence the rate of profit equals the rate of surplus-value. In the second instance, total capital equals $2 \times v$, hence the rate of profit is only half the rate of surplus-value. In the third instance total capital is $2\,{}^{1}/_{2} \times 100$, that is $2\,{}^{1}/_{2} \times v$, that is ${}^{5}/_{2} \times v$; *v* is now only ${}^{2}/_{5}$ of total capital. Surplus-value equals half of *v*, i.e., half of 100, hence is only half of ${}^{2}/_{5}$ of total capital, or ${}^{2}/_{10}$ of total capital. ${}^{250}/_{10} =$ 25 and ${}^{2}/_{10}$ of 250 = 50. But ${}^{2}/_{10} =$ 20 per cent.

Hence to start with this much has been established. Provided *v* remains constant and *s/v* too, then it is of no consequence how *c* is composed. If *c* has a certain magnitude, say 100, then it makes no difference whether it consists of 50 units of raw material and 50 of machinery or 10 of raw material and 90 of machinery, or no raw material and 100 machinery or the other way about. For the rate of profit is determined by the relationship $s/c+v$; the relative value of the various production elements contained in *c* is of no consequence here. For instance, in the production of coal the raw materials (after deducting coal itself which is used as an auxiliary material) may be reckoned as nought and the entire constant capital can be assumed to consist of machinery (including buildings and tools). On the other hand, with a tailor, machinery can be considered as nought and here the whole of constant capital resolves into raw materials (particularly where tailors running a large business do not as yet use sewing-machines and, on the other hand, even save buildings, as sometimes occurs nowadays in London, by employing their workers as

outworkers, This is a new phenomenon, where the second division of labour reappears in the form of the first).

If the colliery owner employs 1,000 units of machinery and 1,000 units of labour and the tailor 1,000 of raw materials and 1,000 of labour, then with an equal rate of surplus-value, the rate of profit in both instances is the same. If [we] assume that surplus-value is 20 per cent, then the rate of profit would in both cases be 10 per cent, namely: $^{200}/_{2000} = {}^{2}/_{20} = {}^{1}/_{10} = 10$ per cent. Hence there are only two instances in which the ratio between the component parts of *c*, i.e., raw materials and machinery, can affect the rate of profit: 1. If a change in this ratio modifies the absolute magnitude of *c*. 2. If the ratio between the component parts of *c* modifies the size of *v*. This would imply organic changes in production itself and not merely the tautologous statement that if a particular part of *c* accounts for a smaller portion, then the other must make up a larger portion of the total amount.

In the real bill of an English farmer, *wages* amount to £ 1,690, *manure* to £ 686, seeds to £ 150, *fodder for cows* to £ 100. Thus "raw material" comes to £ 936, which is more than half the amount spent on wages. (See F. W. Newman, *Lectures on Political Economy*, London, 1851, p. 166.)

> "In *Flanders*" (in the *Belgian* areas) "*dung* and hay are in these parts imported from Holland" (for flax-growing, etc. In turn they export flax, linseed, etc.)." The refuse of the towns has therefore become[a] a matter of trade, and is regularly sold at high prices to Belgium... At about twenty miles from Antwerp, up the Schelde, the reservoirs may be seen for the manure that is brought from Holland. The trade is managed by a company of capitalists and the[b] Dutch boats" etc. (Banfield).

And so even manure, plain muck, has become merchandise, not to speak of bone-meal, guano, pottash etc. That the elements of production *are estimated* in terms of money is not merely due to the formal change in production. New materials are introduced into the soil and its old ones are sold for reasons of *production*. This is not merely a formal difference between the capitalist and the previous mode of production. The seed trade has risen in importance to the extent to which the importance of seed rotation has become recognised. Hence it would be ridiculous to say that no "raw material"—i.e., raw material as a commodity— enters into agriculture whether it be reproduced by agriculture itself or bought as a commodity, acquired from outside. It would be equally absurd to say that the machine employed by the engineer ||449| who constructs machines does not figure as an element of value in his capital.

A German peasant who year after year produces his own elements of production, seeds, manure etc., and, with his family, consumes part of his crops needs to spend money (as far as production itself is concerned) only on the purchase of a few tools for cultivating the land, and on wages. Let us assume that the value of all his expenses is 100 [half of this having to be paid out in money]. He consumes half [of the product] in kind (production costs [are also included here]). The other half he sells and he receives, say, 100, His gross income is thus 100 and if he relates this to his capital of 50 then it amounts to 100 per cent [profit]. If one-third of the 50 is deducted for rent and one-third for taxes (33 $^{1}/_{3}$ in all) then he retains 16 $^{2}/_{3}$, calculated on 50 this is 33 $^{1}/_{3}$ per cent. But in fact he has only received 16 $^{2}/_{3}$ per cent [of the 100 he laid out originally]. The peasant has merely miscalculated and has cheated himself. The capitalist farmer does not make such errors.

Mathieu de Dombasle says in his *Annales agricoles* etc. 4 ième livraison, Paris 1828 that under the métairie contract (in [the province of] Berry, for example) :

> "the landlord supplies the land, the buildings and usually all or part of the livestock and the tools required for cultivation; the tenant for his part supplies his labour and nothing, or almost nothing else. The products of the land are shared in equal parts" (l.c., p. 301). "The tenants are as a rule submerged in dire poverty" (l.c., p. 302). "If the metayer, having laid out 1,000 francs, increases his gross product by 1,500 francs" (i.e., a gross gain of 500 francs) "he must pass half of it on to the landowner, retaining merely 750 and so loses 250 francs of his expenses" (l.c., p. 304). "Under the previous system of cultivation the expenses or costs of production were almost exclusively drawn in kind, from the products themselves, for the consumption of the animals and of the cultivator of the land and his family; hardly any cash was paid out. Only these particular circumstances could give rise to the belief that landowner and tenant could divide amongst themselves the whole of the harvest which had not been consumed during production. But this process is only applicable to this type of agriculture, namely, *low-level agriculture*. But when it is desired to raise that level, it is realised that this is only possible by making certain advances which have to be deducted from the gross product in order to be able to utilise them again in the following year. Hence this kind of division of the gross product becomes an insurmountable obstacle to any sort of improvement" (l.c., p. 307).

[3. Value and Average Price in Agriculture. Absolute Rent]

[a) Equalisation of the Rate of Profit in Industry]

Herr Rodbertus seems to think that competition brings about a normal profit, or average profit or general rate of profit by reducing the commodities to their *real value*; i.e., that it regulates their price relationships in such a manner that the correlative quantities of labour-time contained in the various commodities are expressed in money or whatever else happens to be the measure of value. This is of course not brought about by the price of a commodity at any given moment being equal to its value nor does it have to be equal to its value. [According to Rodbertus, this is what happens:] For example the price of commodity A rises above its value and for a time remains, moreover, at this high level, or even continues to rise. The profit of [the capitalist who produces] A thus rises above the average profit in that he appropriates not only his own "unpaid" labour-time, but also a part of the unpaid labour-time which other capitalists have "produced". This has to be compensated by a fall in profit in one or other sphere of production provided the price of the other commodities in terms of money remains constant. If the commodity is a means of subsistence generally consumed by the worker, then it will depress the rate of profit in all other branches; if it enters as a constituent part into the constant capital, then it will force down the rate of profit in all those spheres of production where it forms an element in constant capital.

Finally, the commodity may neither be an element in any constant capital, nor form a *necessary* item in the workers' means of subsistence (for those commodities which the worker can choose to buy or abstain from buying, he consumes as a consumer in general and not as a worker) but it may be one of the consumer goods, an article for individual consumption in general. If, as such, it is consumed by the industrial capitalist himself, then the rise in its price in no way affects the amount of surplus-value or the rate of surplus-value. Now if the capitalist wanted to maintain his previous standard of consumption, then that part of profit (surplus-value) which he uses for individual consumption would rise in relation to that which he sinks into industrial reproduction. The latter would decrease. As a result of the price rise, or the rise in profit above its average rate, in A, the volume of profit in B, C, etc. would diminish within a certain space of time (which is also determined by reproduction). If article A was exclusively consumed by other than industrial capitalists, then they would consume more than before of commodity A as compared with commodities B, C, etc. The demand for commodities B, C, etc. would fall; their price would fall and, in this case, the price rise in A, or the rise in profit in A above the average rate, would have brought about a fall in the profit in B, C, etc. below the average rate by forcing down the money prices of B, C, etc. (in contrast to the previous instances where the money price of B, C, etc. ||450| remained constant). Capitals would migrate from B, C, etc., where the rate of profit has sunk below the [average] level, to A's sphere of production. This would apply particularly to a portion of the new capital which is continually entering the market and which would naturally tend to penetrate into the more profitable sphere A. Consequently, after some time, the price of article A would fall below its value and would continue to do so for a longer or shorter period, until the reverse movement set in again. The opposite process would take

place in the spheres B, C, etc., partly as a result of the reduced supplies of articles B, C, etc., because of the exodus of capital, i.e., because of the organic changes taking place in these spheres of production themselves, and partly as a result of the changes which have occurred in A and which in turn are affecting B, C, etc. in the opposite direction.

Incidentally, it may well be that in this process—assuming the value of money to be constant—the money prices of B, C, etc., never regain their original level, although they may rise above the value of commodities B, C, etc. and hence the rate of profit in B, C, etc. may also rise above the general rate of profit. Improvements, inventions, greater economy in the means of production, etc. are introduced not at times when prices rise above their average level, but when they fall below it, i.e., when profit falls below its normal rate. Hence during the period of failing prices of B, C, etc., their *real value* may fall, in other words the minimum labour-time required for the production of these commodities may decrease. In this case, the commodity can only regain its former money price if the rise in its price over its value equals the margin, i.e., the difference between the price which expresses its new value and the price which expressed its higher former value. Here the *price* of the commodity would have changed the value of the commodity by affecting supply, and the costs of production.

The result of the above-mentioned movement: If we take the average of the increases and decreases in the price of the commodity above or below its value, or the period of equalisation of rises and fails—periods which are constantly repeated—then the *average price* is equal to the *value* of the commodity. The average profit in a particular sphere is therefore also equal to the general rate of profit; for although, in this sphere, profit rose above or fell below its old rate with the rise or fall in

prices—or with the increase or decrease in costs of production while the price remained constant—on an average, over the period, the commodity was sold at its *value*. *Hence* the profit yielded is equal to the general rate of profit. This is Adam Smith's conception and, even more so, *Ricardo's*, since the latter adheres more firmly to the real concept of value. Herr Rodbertus acquires it from them. And yet this conception is wrong.

What is the effect of the competition between capitals? The *average price* of the commodities during a period of equalisation is such that these prices yield the same profits to the producers of commodities in every sphere, for instance, 10 per cent. What else does this mean? That the price of each commodity stands at one-tenth above the price of the production costs, which the capitalist has incurred, i.e., the amount he has spent in order to produce the commodity. In general terms this just means that capitals of equal size yield equal profits, that the price of each commodity is one-tenth higher than the price of the capital advanced, consumed or represented in the commodity. It is however quite incorrect to say that capitals in the various spheres of production produce the same surplus-value in relation to their size, even if we assume that the absolute working-day is equally long in all spheres, i.e., if we assume a set rate of surplus-value. <We leave aside here the possibility of one capitalist enforcing longer working hours than another, and we assume a fixed *absolute* working-day for all spheres. The variation in absolute working-days is partly offset by the varying intensity of labour etc., and partly these differences only signify arbitrary excess profits, exceptional cases, etc.)

Bearing in mind the above assumption, the amount of surplus-value produced by capitals of *equal* size varies *firstly* according to the correlation of their organic components, i.e., of variable and constant capital; *secondly* according to their period of circulation

in so far as this is determined by the ratio of fixed capital to circulating capital and also [by] the various periods of reproduction of the different sorts of fixed capital; *thirdly* according to the duration of the actual period of production as distinct from the duration of labour-time itself, which again may lead to substantial differences between the length of the production period and circulation period. (The first of these correlations, namely, that between constant and variable capital, can itself spring from a great divergency of causes; it may, for example, be purely formal so that the raw material worked up in one sphere is dearer than that worked up in another, or it may result from the varying productivity of labour, etc.)

Thus, if the commodities were sold at their values or if the *average prices* of the commodities were equal to their values, then the rate of profit in the various spheres would have to vary a great deal. In one case it would be 50, in others 40, 30, 20, 10, etc. Taking the total volume of commodities for a year in sphere A, for instance, their value would be equal to the capital advanced in them plus the unremunerated labour they contain. Ditto in spheres B and C. But since A, B and C contain different amounts of unpaid labour, for instance, A more than B and B more than C, the commodities A might perhaps yield 3 S (S = surplus-value) to their producers, B = 2 S and C = S. Since the rate of profit is determined by the ratio of surplus-value to capital advanced, and as on our assumption this is the same in A, B, C, etc., then ||451| if C is the capital advanced, the various rates of profit will be 3S/C, 2S/C, S/C. Competition of capitals can therefore only equalise the rates of profit, for instance in our example, by making the rates of profit, equal to 2S/C, 2S/C, 2SC, in the spheres A, B, C. A would sell his commodity at 1 S less and C at 1 S more than its value. The average price in sphere A would be below, and in sphere C would be above, the value of the commodities A and C.

As the example of B shows, it *can* in fact happen that the average price and the value of a commodity coincide. This occurs when the surplus-value created in sphere B itself equals the average profit; in other words, when the relationship of the various components of the capital in sphere B is the same as that which exists when the total sum of capitals, the capital of the capitalist class, is regarded as one *magnitude* on which the whole of surplus-value [is] calculated, irrespective of the sphere in which it has been created. In this aggregate capital the periods of turnover, etc. are equalised; one can, for instance, consider that the whole of this capital is turned over during one year. In that case every section of the *aggregate capital* would in accordance with its magnitude participate in the aggregate surplus-value and draw a corresponding part of it. And since every individual capital is to be regarded as shareholder in this aggregate capital, it would be correct to say *first* that its *rate of profit* is the same as that of all the others [because] capitals of the same size yield the same amount of profit; *secondly*, and this arises automatically from the first point, that the volume of profit depends on the size of the capital, on the number of shares the capitalist owns in that aggregate capital. Competition among capitals thus seeks to treat every capital as a share of the aggregate capital and correspondingly to regulate its participation in surplus-value and hence also in profit. Competition more or less succeeds in this by means of its equalisations (we shall not examine here the reason why it encounters particular obstacles in certain spheres). But in plain language this just means that the capitalists strive (and this striving is competition) to divide among themselves the quantity of unpaid labour—or the products of this quantity of labour—which they squeeze out of the working class, not according to the surplus-labour produced directly by a *particular* capital, but corresponding *firstly* to the relative portion of the aggregate capital which a particular capital represents

and *secondly* according to the amount of surplus-labour produced by the aggregate capital. The capitalists, like hostile brothers, divide among themselves the loot of other people's labour which they have appropriated so that on an average one receives the same amount of unpaid labour as another.

Competition achieves this equalisation by regulating average prices. These average prices themselves, however, are either above or below the value of the commodity so that no commodity yields a higher rate of profit than any other. It is therefore wrong to say that competition among capitals brings about a general rate of profit by equalising the prices of commodities to their values. On the contrary it does so *by converting the values of the commodities into average prices, in which a part of surplus-value is transferred from one commodity to another*, etc. The *value* of a commodity equals the quantity of paid and unpaid labour *contained in it*. The *average price* of a commodity equals the quantity of paid labour it *contains* (materialised or living) plus a average quota of unpaid labour. The latter does not depend on whether this amount was contained in the commodity itself or on whether more or less of it was embodied in the value of the commodity.

[b) Formulation of the Problem of Rent]

It is possible—I leave this over for a later inquiry which does not belong to the subject-matter of this book—that certain spheres of production function under circumstances which work against a reduction in their values to average prices in the *above* sense, and do not permit competition to achieve this victory. If this were the case for instance with agricultural rent or rent from mines (there are rents which are altogether only explicable by monopoly conditions, for instance the water

rent in Lombardy, and in parts of Asia, also house rent in so far as it represents rent from landed property) then it would follow that while the product of all industrial capitals is raised or lowered to the average price, the product of agriculture [would] equal its value, which would be above the average price. Might there be obstacles here, which cause more of the *surplus-value created* in this sphere of production to be appropriated as property of the sphere itself, than should be the case according to the laws of competition, more than it should receive according to the quota of capital invested in this branch of industry?

Supposing industrial capitals which are producing 10 or 20 or 30 per cent more surplus-value ||452| than industrial capitals of equal size in other spheres of production, not just temporarily, but because of the very nature of *their* spheres of production as opposed to others; supposing I say, they were able to hang on to this excess surplus-value in the face of competition and to prevent it from being included in the general accounts (distribution) which determine the general rate of profit, then, in this case, one could distinguish between two recipients in the spheres of production of these capitals, the one who would get the general rate of profit, and the other who would get the surplus exclusively inherent in this sphere. Every capitalist could pay, hand over, this excess to the privileged one, in order to invest his capital here, and he would retain for himself the general rate of profit, like every other capitalist, working under the same conditions. If this were the case in agriculture etc., then the splitting of *surplus-value* into *profit* and *rent* would by no means indicate that labour as such is actually more "productive" ([in the sense of production] of surplus-value) here than in manufacture. Hence [it would not be necessary] to ascribe any magic powers to the soil; this, moreover, is in any case absurd, since *value equals labour, therefore surplus-value cannot possibly equal*

soil (although relative surplus-value may be due to the natural fertility of the soil, but under no circumstances could this result in a *higher price* for the products of the soil. Rather the opposite). Nor would it be necessary to have recourse to Ricardo's theory, which is disagreeably linked with the Malthusian trash, has repulsive consequences and, though in theory it is not especially opposed to my views on relative surplus-value, it deprives them of much of their practical significance.

Ricardo's point is this: Rent (for instance, in agriculture) can be nothing other than an excess above general profit where—as he presupposes—agriculture is run on capitalist lines, where [there] is [a] *farmer*. Whether that which the landlord receives is actually equal to this rent in the bourgeois-economic sense is quite irrelevant. It may be purely a deduction from wages (vide Ireland) or it may be partly derived from the reduction of the farmer's profit below the average level of profits. Which of these possible factors happens to be operative is of no consequence whatsoever. *Rent*, in the bourgeois system, only exists as a special, characteristic form of surplus-value in so far as it is an excess over and above (general) profit.

But how is this possible? The commodity wheat, like every other commodity, is [according to Ricardo] sold at its *value*, i.e., it is exchanged for other commodities in relation to the labour-time embodied in it. (This is the first erroneous assumption which complicates the problem by posing it artificially. Only in exceptional circumstances are commodities exchanged at their value. Their *average prices* are determined in a different way. See above.> The farmer who grows wheat makes the same profit as all the other capitalists. This proves that, like all the others, he appropriates that portion of labour-time for which he has not paid his workers. Where, on top of this, does the rent come from? It must represent labour-time. Why should surplus-labour in agriculture

resolve into profit and rent while in industry it is just profit? And, how is this possible at all, if the profit in agriculture equals the profit in every other sphere of production? <Ricardo's faulty conception of profit and the way in which he confuses it with surplus-value have also a detrimental effect here. They make the whole thing more difficult for him.>

Ricardo solves this *difficulty* by assuming that *in principle* it is non-existent. <This indeed is in principle *the only possibility* of overcoming any difficulty. But there are two ways of doing this. Either one shows that the contradiction to the principle is an *illusion* which arises from the development of the thing itself, or one *denies* the existence of the difficulty *at one point*, as Ricardo does, and then takes this as a starting-point from which one can proceed to explain its existence at some other stage.>

He assumes a point at which the farmer's capital, like everyone else's, only yields profit. <This capital may be invested in a non-rent paying or individual farm, or in a non-rent paying part of the land of a farm. In fact it can be any capital which is employed in the cultivation of land that does not pay rent.> This, moreover, is the starting-point, and it can also be expressed as follows: Originally the farmer's capital only pays profit, no rent <although this *pseudo-historical* form is of no consequence and in other "laws" is common to all bourgeois economists>. It is no different from any other industrial capital. Rent only enters into it because the demand for grain rises and now, in contrast to other branches of industry, it becomes necessary to resort to "less" fertile ground. The farmer (the supposed original farmer) suffers, like any other industrial capitalist, in so far as he has to pay his workers more because of the rise in [the price of] food. But he gains because of the rise in price of his commodity above its value, firstly, to the extent to which the value of other commodities which enter into his constant capital falls

relatively to his commodity and so he buys them more cheaply, and secondly, in so far as he owns the surplus-value in the form of his dearer commodity. Thus this farmer's profit rises above the average rate of profit, which has, however, fallen. Hence another capitalist moves onto the less fertile land, No. II which, with this lower rate of profit, can supply produce at the price of I or perhaps even a little more cheaply. Be that as it may, we now have, once more, ||453| the normal situation on II, that surplus-value merely resolves itself into profit. But we have explained the rent for I by the existence of a twofold price of production: the production price of II [which] is simultaneously the market price of I. A temporary surplus gain has been [achieved], just as with the factory-made commodity which is produced under more favourable conditions. The price of corn, which in addition to profit comprises rent, in fact consists only of materialised labour, and is equal to its value; it is however equal not to the value embodied in itself, but to the value of II. It is impossible to have two market prices [side by side] <While Ricardo introduces farmer No, II because of the fall in the rate of profit, Stirling introduces him because wages [have] *fallen* not risen following upon the price of corn. This fall in wages allows No. II to cultivate a piece [of land] No. II at the old rate of profit, although the soil is less fertile.> Once the existence of rent has been established in this way, the rest follows easily. The *difference between rents* according to varying fertility, etc., of course remains correct. This does not necessarily imply that less and less fertile land has to come under cultivation.

So here we have Ricardo's theory. The higher price of corn, which yields an excess profit to I, does not yield even as much as the earlier rate of profit for II. It is thus clear that product II contains more value than product I, i.e., it is the product of more labour-time, it embodies a greater quantity of labour. Therefore more labour-time must be

supplied to manufacture the same product—say, for instance, a quarter of wheat. And the rise in rent will be relative to this decreasing fertility of the land, or the growth in the quantity of labour which must be employed to produce, say, a quarter of wheat. Of course Ricardo would not talk of a rise in rent if there were just an increase in the number of quarters from which rent is paid, but only if the price of the *individual* quarter rose from say 30s. to 60s. True, he does sometimes forget that the *absolute volume of rent can grow with a reduced rate of rent, just as the absolute amount of profit can increase with a decreasing rate of profit*.

Others seek to by-pass this difficulty (*Carey* for instance) by directly denying its existence. Rent [they say] is only interest on the capital which, at an earlier stage, was incorporated in the land. Therefore, again only a form of profit. Here then the very *existence of rent* is denied and so indeed *explained away*.

Others, for instance *Buchanan*, regard it just as a consequence of monopoly. See also *Hopkins*. With them it is merely a *surcharge* above the *value*.

For Mr. *Opdyke*, a typical Yankee,* landed property or rent becomes "*the legalised reflection of the capital*".[c]

With Ricardo the examination is rendered more difficult by the two false assumptions. <Ricardo it is true was not the inventor of the theory of rent. West and Malthus had put it into print before him. The source, however, is *Anderson*. But what distinguished Ricardo is the way in which he links rent with his theory of value (although West did not entirely miss the real interconnection either). As his later polemic about rent with Ricardo shows, Malthus himself did not understand the theory he had adopted from Anderson.> If we start from the correct principle that the value of commodities is determined by the labour-time necessary for their

production (and that value in general is nothing other than materialised social labour-time) then it follows that the *average price* of commodities is determined by the labour-time required for their production. This conclusion would be the right one if it had been proved that *average price* equals *value*. But I show that just *because* the value of the commodity is determined by *labour-time*, the average price of the commodities (except in the *unique* case in which the so-called individual *rate of profit* in a particular sphere of production, i.e., the profit determined by the surplus-value yielded in this sphere of production itself, [is] equal to the average rate of profit on total capital) *can never* be equal to their value although this determination of the average price is only derived from the value which is based on labour-time.

In the first place, then, it follows that even commodities whose average price (if we disregard the value of constant capital) resolves only into wages and profit, in such a way that these stand at their normal rate, i.e., are average wages and average profit, can be sold above or below their own value, The fact that the commodity yields rent on top of profit ||454| does not prove that the commodity is sold *above* its intrinsic value, any more than the circumstance of the surplus-value of a commodity only expressing itself in the category of normal profit proves that the commodity is sold at its value. If a commodity can yield an *average rate of profit* or *general rate of profit on capital* which is *below* its own rate of profit determined by its real surplus-value, then it follows that if on top of this average rate of profit commodities in a *particular sphere of production* yield a second amount of surplus-value which carries a separate name, for instance, *rent*, then the sum of profit plus rent need not be higher than the *surplus-value* contained in the commodity. Since profit can be less than the intrinsic surplus-value of the commodity, or the quantity of unpaid

labour it embodies, profit plus rent need not be larger than the intrinsic surplus-value of the commodity.

Why this occurs in a *particular* sphere of production as opposed to other spheres has of course still to be explained. But the problem has been simplified. This commodity (the commodity yielding rent] differs from the others in the following way: In a number of these other commodities average price is *above* their intrinsic value, but only in order to *raise* their rate of profit to the level of the general rate. In another section of these other commodities the average price stands at a level *below* their intrinsic value, but only to the extent required to *reduce* their rate of profit to concur with the general rate. Finally in a third section of these other commodities, average price equals their intrinsic value, but only *because* if sold at their *intrinsic* value they yield the general rate of profit. But the commodity which yields rent differs from all these three instances. Whatever the circumstances, it is sold at a price which will yield *more than average profit—as* determined by the general rate of profit on capital.

Now the question arises, which, or how many, of these three instances can occur. Supposing the *whole of the surplus-value the commodity contains is realised* in its price. In that case, it excludes the third instance, namely, those commodities whose entire surplus-value is realised in their average price, because they only yield ordinary profit. We may, therefore, dismiss this one. Similarly, on *this* presupposition, we can exclude the first instance, where the surplus-value realised in the price of the commodity is *above* its intrinsic surplus-value. For it is assumed, that "the surplus-value contained in it is realised" in its price. This instance is thus analogous with case 2 of those commodities whose intrinsic surplus-value is higher than the surplus-value realised in their average price. As with these commodities the profit represents a form of this surplus-value—in this case profit

on the capital employed—which has been reduced to the level of the general rate of profit. The *excess intrinsic surplus-value of the commodity over and above* this profit is, however, in contrast to *commodity* 2, also realised in these exceptional commodities, but accrues not to the owner of the capital, but to the owner of the land, the natural agent, the mine, etc.

Or [what happens if we assume that] the price is forced up to such a degree that it carries more than the *average rate of profit?* This is, for instance, the case with actual monopoly prices. *This assumption—applied* to every sphere of production where capital and labour may be freely employed [and] whose production, so far as the volume of capital employed is concerned, is subject to the general laws—would not only be a *petitio principii*, but would *directly contradict* the foundations of [economic] science and of capitalist production—the former being merely the theoretical expression of the latter. For such an assumption presupposes the very phenomenon which is to be explained, namely, that in a particular sphere of production, the price of a commodity *must* carry more than the general rate of profit, more than the average rate of profit, and to this end *must be sold above* its value. It presupposes that agricultural products are *excluded* from the general laws of value of commodities and of capitalist production. It, moreover, presupposes this, because the peculiar presence of rent side by side with profit *prima facie* makes it appear so. Hence this is absurd.

So there is nothing left but to assume that special circumstances exist in this particular sphere of production, which influence the situation and cause the prices of the commodities to realise [the whole] of their intrinsic surplus-value, This in contrast to [case] 2 of the other commodities, where only as much of their intrinsic surplus-value is realised by their prices as is yielded by the general rate of profit, where their average prices fall so far below their surplus-value that they only yield the

general rate of profit, or in other words their average profit is no greater than that in all other spheres of production of capital.

In this way the problem has already become much simpler. It is no longer a question of explaining how it comes about that the price of a commodity yields rent as well as profit, thus *apparently* evading the general law of value and by raising its price above its *intrinsic surplus-value*, carrying *more than the general rate of profit* for a given capital. The question is why, in the process of equalisation of commodities at average prices, this particular commodity does not have to pass on to other commodities so much of its *intrinsic surplus-value* that it only yields the *average profit*, but is able to realise a portion of its own surplus-value which forms an excess *over and above* average profit; so that it is possible for a farmer, who invests capital in this sphere of production, to sell the commodity at prices which yield him the ordinary profit and at the same time enable him to pay the excess in surplus-value realised *over and above* this profit to a third person, the landlord.

||455| Put in this way, the very formulation of the problem carries its own solution.

[c) Private Ownership of the Land as a Necessary Condition for the Existence of Absolute Rent. Surplus-Value in Agriculture Resolves into Profit and Rent]

It is quite simply the *private ownership* of land, mines, water, etc. by certain people, which enables them to snatch, intercept and seize the *excess surplus-value over and above profit* (average profit, the rate of profit determined by the general rate of profit) contained in the commodities of these particular spheres of production,

these particular fields of capital investment, and so to prevent it from entering into the general process by which the general rate of profit is formed. Moreover, some of this surplus-value is actually collected in every industrial enterprise, since rent for the land used (by factory buildings, workhouses etc.) figures in every instance, for even where the land is available free, no factories are built, except in the more or less populated areas with good means of communication.

Supposing the commodities produced by the poorest cultivated land belonged to category 3, i.e., those commodities whose average price equals their value, in other words, the whole of their inherent surplus-value is realised in their price because only thus do they yield the ordinary profit; in this case the land would pay no rent and land ownership would be purely nominal. If a *payment* were made for the use of the land, then it would only prove that small capitalists, as is partly the case in England (see *Newman*), are satisfied with making a profit *below* the average. The same applies whenever the rate of rent is higher than the difference between the *inherent* surplus-value of a commodity and the *average profit*. There is even land whose cultivation at most suffices to pay wages, for, although here the labourer works for himself the whole of his working-day, his labour-time is longer than the socially *necessary* labour-time. It is so unproductive—relative to the generally prevailing productivity in *this* branch of work—that, although the man works for himself for 12 hours, he hardly produces as much as a worker under more favourable conditions of production does in 8 hours. This is the same relationship as that of the hand-loom weaver who competes with the power-loom. Although the product of this hand-loom weaver was equal to 12 hours of labour, it was only equal to 8 or less hours of socially *necessary* labour and his product therefore only [had] the value of 8 necessary labour

hours. If in such an instance the cottager pays a rent then this is purely a deduction from his *necessary* wage and does not represent surplus-value, let alone an excess over and above average profit.

Assume that in a country like the United States, the number of competing farmers is as yet so small and the appropriation of land so much just a matter of form that everyone has the opportunity to invest his capital in land and the cultivation of the soil, without the permission of hitherto-existing owner-cultivators or farmers. In these circumstances it is possible over a considerable period—with the exception of that landed property which by its very situation in populated areas carries a monopoly—that the surplus-value which the farmer produces on top of average profit is not realised in the price of his product, but that lie may have to share it with his brother capitalists in the same way as this is done with the surplus-value of all commodities which would give an excess profit, i.e., raise the rate of profit above the general rate, if their surplus-value were realised in their price. In this case the general rate of profit would rise, because wheat, etc., like other manufactured commodities, would be sold *below* its value. This selling *below* its value would not constitute an exception, but rather would prevent wheat from forming an exception to other commodities in the same category.

Secondly, assume that in a given country the land is all of a particular quality, so that if the whole of the surplus-value from the commodity were realised in its price, it would yield the usual profit on capital. In this case no rent would be paid. The absence of rent would in no way affect the general rate of profit, it would neither raise it nor lower it, just as it is not influenced by the fact that other non-agricultural products are to be found in this category. Since the commodities belong to this category just because their *inherent surplus-value* equals the *average profit* [they] cannot alter the level of this

profit, on the contrary they conform with it and do not influence it at all, although it influences them.

Thirdly, assume that all the land consists of a particular type of soil, but this is so poor that the capital employed in it is so unproductive that its product belongs to that kind of commodity whose surplus-value [lies] below average profit. Since wages would rise everywhere as a result of the unproductiveness of agriculture, surplus-value could in this case of course only be higher where absolute labour-time can be prolonged, where the raw material, such as iron, etc., is not the product of agriculture or, further, where it [is] like cotton, silk etc., an imported article and a product of more fertile soil. In this case, the price of the [agricultural] commodity would include a surplus-value higher than that inherent in it, to enable it to yield the usual profit. The general rate of profit would consequently fall, despite the absence of rent.

Or assume in *case* 2, that the soil is very unproductive. Then surplus-value of this agricultural product, by its very equality with average profit would show that the latter is altogether low since in agriculture perhaps 11 of the 12 working hours are required to produce just the wages, and the surplus-value only equals 1 hour or less.

||456| These various examples illustrate the following:

In the first case, *the absence or lack of rent* is bound up with, or concurs with, an *increased rate of profit—as* compared with other countries where the phenomenon of rent has developed.

In the second case the lack or absence of rent does not affect the rate of profit at all.

In the third case, compared with other countries where rent exists, it is bound up with and indicative of a *low, a relatively low*, general rate of profit.

It follows from this that the development of a particular rent in itself has nothing to do with the *productivity of agricultural labour*, since the absence or lack of rent can be associated with a rising, falling or constant rate of profit.

The question here is not: Why is the *excess surplus-value above average profit* retained in agriculture etc.? On the contrary, we should rather ask: Why should the opposite take place here?

Surplus-value is nothing other than unpaid labour; the average or normal profit is nothing other than the quantity of unpaid labour which each capital of a given magnitude of value is supposed to realise. If we say that average profit is 10 per cent then this means nothing other than that a capital of 100 commands 10 units of unpaid labour; or 100 units of materialised labour command a tenth of their amount in *unpaid* labour. Thus *excess of surplus-value over average profit* implies that a commodity (its price or that part of its price which consists of surplus-value) contains a quantity of unpaid labour [hich is] greater than the quantity of unpaid labour that forms average profit, which therefore in the average price of the commodities *forms the excess of their price over the costs of their production*. In each individual commodity the costs of production represent the capital advanced, and the excess over these production costs represents the *unpaid labour* which the advanced capital commands; hence the relationship of this excess in price over the costs of production shows the *rate* at which a given capital—employed in the production process of commodities—commands unpaid labour, irrespective of whether the unpaid labour contained in the commodity of

the *particular* sphere of production is equal to this *rate* or not.

Now what forces the individual capitalist, for instance, to sell his commodity at an average price, which yields him only the average profit and makes him realise less unpaid labour than is in fact worked into his own commodity? This average price is *thrust* upon him; it is by no means the result of his own free will; he would prefer to sell the commodity *above* its value. It is forced upon him by the competition of other capitals. For every capital of the same size could also be rushed into A, the branch of production in which the relationship of unpaid labour to the invested capital, for instance, £100, is greater than in production spheres B, C, etc. whose products also satisfy a social need just as much as the commodities of production sphere A.

When there are spheres of production in which certain natural conditions of production, such as, for example, arable land, coal seams, iron mines, water falls, etc.—without which the production process cannot be carried out, without which commodities cannot be produced in this sphere—are in the hands of others than the proprietors or owners of the materialised labour, the capitalists, then this second type of *proprietor of the conditions of production* will say:

If I let you have this condition of production for your use, then you will make your average profit; you will appropriate the normal quantity of unpaid labour. But your production yields an excess of surplus-value, of unpaid labour, above the rate of profit. This excess you will not throw into the common account, as is usual with you capitalists, but I am going to appropriate it myself. It belongs to me. This transaction should suit you, because your capital yields you just the same in this sphere of production as in any other and besides, this is a very solid branch of production. Apart from the 10 per cent unpaid

labour which constitutes the average profit, your capital will also provide a further 20 per cent of *additional* unpaid labour here. This you will pay over to me and in order to do so, you add 20 per cent unpaid labour to the price of the commodity, and this you simply do not account for with the other capitalists. Just as your ownership of one condition of production—capital, materialised labour—enables you to appropriate a certain quantity of unpaid labour from the workers, so my ownership of the other condition of production, the land, etc., enables me to intercept and divert away from you and the entire capitalist class, that part of unpaid labour which is excessive to your average profit. Your law will have it that under normal circumstances, capitals of equal size appropriate equal quantities of unpaid labour and you capitalists can force each other ||457| into this position by competition among yourselves. Well, I happen to be applying this law to you. You are not to appropriate any more of the unpaid labour of your workers than you could with the same capital in any other sphere of production. But the law has nothing to do with the excess of unpaid labour which you have "produced" over the normal quota. Who is going to prevent me from appropriating this "excess"? Why should I act according to your custom and throw it into the common pot of capital to be shared out among the capitalist class, so that everyone should draw out a part of it in accordance with his share in the aggregate capital? I am not a capitalist. The condition of production which I allow you to utilise is not materialised labour but a natural phenomenon. Can you manufacture land or water or mines or coal pits? Certainly not. The means of compulsion which can be applied to you in order to make you release again a part of the surplus-labour you have managed to get hold of does not exist for me. So out with it! The only thing your brother capitalists can do is to compete against you, not against me. If you pay me less excess profit than the difference between the *surplus-*

time you have made and the quota of surplus-labour due to you according to the rule of capital, your brother capitalists will appear on the scene and by their competition will force you to pay me fairly the *full amount* I have the power to squeeze out of you.

The following problems should now be set forth: 1. The transition from feudal landownership to a different form, commercial land rent, regulated by capitalist production, or, on the other hand, the conversion of this feudal landed property into free peasant property. 2. How rent comes into existence in countries such as the United States, where originally land has not been appropriated and where, at any rate in a formal sense, the bourgeois mode of production prevails from the beginning. 3. The Asiatic forms of landownership still in existence. But all this does not belong here.

According to this theory then, the private ownership of objects of nature such as the land, water, mines etc., the ownership of these conditions of production, this essential ingredient of production emanating from nature, is not a source from which flows value, since value is only materialised labour. Neither is it the source from which excess surplus-value flows, i.e., an excess of unpaid labour over and above the unpaid labour contained in profit. This ownership is, however, a source of revenue. It is a claim, a means, which in the sphere of production that the property enters as a condition of production enables the owner to appropriate that part of the unpaid labour squeezed out by the capitalist which would otherwise be tossed into the general capital fund as excess over normal profit. This ownership is a means of obstructing the process which takes place in the rest of the capitalist spheres of production, and of holding on to the surplus-value created in this particular sphere, so that it is divided between the capitalist and the landowner in that sphere of production itself. In this way landed property, like capital, constitutes a claim to unpaid

labour, gratis labour. And just as with capital, the worker's materialised labour appears as a power over him, so with landed property, the circumstance which enables the landowners to take part of the unpaid labour away from the capitalists, makes landownership appear as a source of value.

This then explains the existence of modern ground-rent. *With a given capital investment*, the variation in the amount of rent is only to be explained by the varying fertility of the land. The variation in the amount of rent, *given equal fertility*, can only be case, rent rises because its rate increases in proportion to the explained by the *varying amount of capital invested*, In the first capital employed(also according to the area of the land). In the second case, it rise's because with the same or even with a different rate (if the second dose of capital is not equally productive) the amount of rent increases.

For this theory it is immaterial whether the least fertile land yields a rent or not. Further, it is by no means necessary for the fertility of agriculture to decline, although the diversity in productivity, if not artificially overcome (which is possible), is much greater than in similar spheres of industrial production. When we speak of greater or lesser fertility, we are still concerned with *the same* product. The relationship of the various products, one to another, is another question.

Rent as calculated on the land itself is the rental, the amount of rent. It can rise without an increase in the rate of rent. If the value of money remains unchanged, then the relative value of agricultural product's can rise, not because agriculture is becoming less productive, but because, although its productivity is rising, it is rising slower than in industry. On the other hand, a rise in the money price of agricultural products, while the value of money remains the same, is only possible if their value rises, i.e., if agriculture becomes less productive

(provided it is not caused by temporary pressure of demand upon supply as with other commodities).

In the cotton industry, the price of the raw material fell continuously with the development of the industry itself; the same applies to iron, etc., coal, etc. The growth of rent here was possible, not because its rate rose, but only because more capital was employed.

Ricardo is of the following opinion: The powers of nature, such as air, light, electricity, steam, water are gratis; the land is not, because it is limited. So already for this reason alone, agriculture is less productive than other industries. If the land were just as common, unappropriated, available in any quantities, as the other element's and powers of nature, then it would be much more productive.

||458| In the first place, if the land were so easily available, at everyone's free disposal, then a principal element *for the formation of capital* would be missing. A most important condition of production and—apart from man himself and his labour—the only original condition of production could not be disposed of, could not be appropriated. It could not thus confront the worker as someone else's property and make him into a wage-labourer. The productivity of labour in Ricardo's sense, i.e., in the capitalist sense, the "producing" of someone else's unpaid labour would thus become impossible. And this would put an end to capitalist production altogether.

So far as the powers of nature indicated by Ricardo are concerned, it is true that these are partly to be had for nothing and do not cost the capitalist anything. Coal costs him something, but steam costs him nothing so long as he gets water gratis. But now, for example, let us take steam. The properties of steam always exist. Its industrial usefulness is a new scientific discovery which the capitalist has appropriated. As a consequence of this

scientific discovery, the productivity of labour and with it relative surplus-value rose. In other words, the quantity of unpaid labour which the capitalist appropriated from a day's labour grew with the aid of steam. The difference between the productive power of steam and that of the soil is thus only that the one yields unpaid labour to the capitalist and the other to the landowner, who does not take it away from the worker, but from the capitalist. The capitalist is therefore so enthusiastic about this element "belonging to no one.

Only this much is correct: Assuming the capitalist mode of production, then the capitalist is not only a necessary functionary, but the dominating functionary in production. The landowner, on the other hand, is quite superfluous in this mode of production. Its only requirement is that land should *not* be common property, that it should confront the working class as a condition of production, *not belonging to* it, and the purpose is completely fulfilled if it becomes state-property, i.e., if the state draws the rent. The landowner, such an important functionary in production in the ancient world and in the Middle Ages, is a useless superfetation in the industrial world. The radical bourgeois (with an eye moreover to the suppression of all other taxes) therefore goes forward theoretically to a refutation of the private ownership of the land, which, in the form of state property, he would like to turn into the common property of the bourgeois class, of capital. But in practice he lacks the courage, since an attack on one form of property—a form of the private ownership of a condition of labour—might cast considerable doubts on the other form. Besides, the bourgeois has himself become an owner of land.

[4. Rodbertus's Thesis that in Agriculture Raw Materials Lack Value Is Fallacious]

Now to Herr Rodbertus.

According to Rodbertus, no raw material enters into agricultural calculations, because, so Rodbertus assures us, the German peasant does not reckon that seeds, feeding stuffs, etc. cost him anything. He does not count these as costs of production; in fact he miscalculates. In England, where the farmer has been doing his accounts correctly for more than 150 years, there should accordingly be no ground-rent. The conclusion therefore should not be the one drawn by Rodbertus, that the farmer pays a rent because his rate of profit is higher than in manufacture, but that he pays it because, as a result of a miscalculation, he is satisfied with a *lower* rate of profit. Dr. Quesnay, himself the son of a tenant farmer and closely acquainted with French farming, would not have received this idea kindly. [In his Tableau Economique], Quesnay includes the raw material which the tenant farmer needs, as one of the items in the annual outlay of 1,000 million, although the farmer reproduces it in kind.

Although hardly any fixed capital or machinery is to be found in one section of manufacture, in another section—the entire transport industry, the industry which produces change of location, [using] wagons, railways, ships, etc.—there is no raw material but only tools of production. Do such branches of industry yield a rent apart from profit? How does this branch of industry differ from, say, the mining industry? In both of them only machinery and auxiliary materials are used, such as coal for steamships and locomotives and mines, fodder

for horses, etc. Why should the rate of profit be calculated differently in one sector than in the other? [Supposing] the advances to production which the peasant makes *in kind* are a fifth of the total capital he advances, to which we would then have to add four-fifths in advances for the purchase of machinery and labour-power, the total expenditure amounting to 150 quarters. If he then makes 10 per cent profit [this would be] equal to 15 quarters, i.e., the gross product would be 165 quarters. If he now deducted a fifth, equal to 30 quarters and calculated the 15 quarters only on 120, then he would have made a profit of 12 $^{1}/_{2}$ per cent.

Alternatively, we could put it in this way: The value of his product, or his product, is equal to 165 quarters (£ 330). He reckons his advances to be 120 quarters (£ 240), 10 percent on this equals 12 quarters (£ 24). But his gross product amounts to 165 quarters; from which thus 132 quarters are to be deducted, which leaves 33 quarters. But from these, 30 quarters are deducted in kind. This leaves an extra profit of 3 quarters (£ 6). His total profit is 15 quarters (£ 30) instead of 12 quarters (£ 24). So he can pay a rent of 3 quarters or £ 6 and *fancy* that he has made a profit of 10 per cent like every other capitalist. But this 10 per cent exists only in his imagination. In fact, he has made advances of 150 quarters, not of 120 quarters and on these, 10 per cent amounts to 15 quarters or £ 30. In fact he received 3 quarters *too* few, i.e., a quarter of the 12 quarters which he actually received ||459| , or a fifth of the total profit which he should have received, because he did not consider a fifth of his advances to be advances. Therefore, as soon as he learnt to calculate according to capitalist methods, he would cease to pay rent, which would merely amount to the difference between *his* rate of profit and the normal rate of profit.

In other words, the product of unpaid labour embodied in the 165 quarters amounts to 15 quarters, which equals

£ 30, representing 30 labour weeks. Now if these 30 labour weeks or 15 quarters or £ 30 were calculated on the total advances of 150 quarters, then they would only form 10 per cent; if they were calculated only on 120 quarters, then they would represent a higher percentage, because 10 per cent on 120 quarters would be 12 quarters and 15 quarters are not 10 per cent of 120 quarters but 12 $^{1}/_{2}$ per cent. In other words: Since the peasant did not include some of his advances in the account as a capitalist would have done, he calculates the accumulated surplus-labour on too small a portion of his advances. Hence it represents a higher rate of profit than in other branches of industry and can therefore yield a rent which is based solely on a miscalculation. The game would be over if the peasant realised that it is by no means necessary first to convert his advances into *real money*, i.e., to *sell* them, in order to assess them in money, and hence to regard them as commodities.

Without this mathematical error (which may be committed by a large number of German peasants but never by a capitalist farmer) Rodbertus's rent would be an impossibility. It only becomes possible *where* raw material enters into costs of production, but not where it *does not*. It only becomes feasible where the raw material enters [into production] *without* entering into the accounts, But it is not possible *where* it does not enter [into production], although Herr Rodbertus wants to derive his explanation of the existence of rent *not* from a *miscalculation*, but from the *absence* of a real item of expenditure.

Take the mining industry or the fisheries. Raw material does not figure in these, except as auxiliary material, which we can omit, since the use of machinery always implies (with very few exceptions) the consumption of auxiliary material, the food of the machine. Assuming that the general rate of profit is 10 per cent and £ 100 are laid out in machinery and wages; why should the profit on

£ 100 amount to more than £ 10, because the £ 100 have not been expended on raw material, machinery and wages, but have been expended on raw material and wages only? If there is to be any sort of difference, this could only arise because in the *various instances*, the ratio of the values of constant capital and variable capital is in fact *different*. This varying ratio would result in varying surplus-value, even if the *rate* of surplus-value is taken to be constant. And if varying surplus-values are related to capitals of *equal size*, they must of course yield unequal profits. But on the other hand the general rate of profit means nothing other than the equalisation of these inequalities, abstraction from the organic components of capital and redistribution of surplus-value, so that capitals of equal size yield equal profits.

That the amount of surplus-value depends on the *size of the capital employed* does not hold good—according to the general laws of surplus-value—for capitals in *different* spheres of production, but for *different capitals* in *the same* sphere of production, in which it is assumed that the *organic* component parts of capital are in the same proportion. If one says for example: The volume of profit in *spinning* corresponds to the size of the capitals employed (which is also not quite correct, unless one adds that productivity is assumed to be *constant*), this in fact merely means that, given the rate of exploitation of the spinners, the total amount of exploitation depends on the number of exploited spinners. If, on the other hand, one says that the volume of profit in different branches of production corresponds to the size of the capitals employed, then this means that the rate of profit is the same for each capital of a given size, i.e., the volume of profit can only change with the size of this capital. In other words, the rate of profit is independent of the organic relationship of the components of a capital in a particular sphere of production; it is altogether independent of the amount of

surplus-value which is realised in these particular spheres of production.

Mining production ought to be considered right from the start as belonging to industry and not to agriculture. Why? Because no product of the mine is used, in kind, as an element of production; no product of the mine enters in kind, straight from the mine, into the constant capital of the mining industry (the same applies to fishing and hunting, where the outlay consists to a still higher degree of the instruments of labour and wages or labour itself ||460|). In other words, because every production element in the mine—even if its raw material originates in the mine— not only alters its form, but becomes a commodity, i.e., it must be *bought*, before it can re-enter mining as an element of production. Coal forms the only exception to this, But it only appears as a means of production at a stage of development when the exploiter of the mine has graduated as a capitalist, who uses double entry book-keeping, in which he not only owes himself his advances, i.e., is a debtor against his own funds, but his own funds are debtors against themselves, Thus just here, where in fact no raw material figures in expenditure, capitalist accounting must prevail from the outset, making the illusion of the peasant impossible .

Now let us take manufacture itself, and in particular that section where all the elements of the labour-process are also elements in the process of the creation of value; i.e., where all the production elements enter into the production of the new commodity as items of expenditure, as use-values that have a value, as *commodities*. There is a considerable difference between the manufacturer who produces the first intermediate product and the second and all those that follow in the process towards the finished product. The raw material of the latter type of manufacturers enters the production process not only as a commodity, but is already a commodity of the second degree; it has already

taken on a different form from the first commodity, which was a raw product in its natural form, it has already passed through a second phase of the production process. For example, the spinner: His raw material is cotton, a raw product which is already a commodity. The raw material of the weaver however is the yarn produced by the spinner; that of the printer or dyer is the woven fabric, the product of the weaver; and all these products, which reappear as raw materials in further phases of the process are at the same time commodities. |460||

||461| We seem to have returned here to the question with which we have already been concerned on two other occasions, once when discussing John Stuart Mill, and again during the general analysis of the relationship between constant capital and revenue. The continual recurrence of this question shows that there is still a hitch somewhere. Really this belongs into Chapter III on profit. But it fits in better here.

For example:

4,000 lbs. cotton equals £100;
4,000 lbs. yarn equals £200;
4,000 yards calico equals £400.

On the basis of this assumption, 1 lb. cotton = 6d., yarn = 1s., 1 yard [calico] = 2s.

Given a rate of profit of 10 per cent, then

A in £100, the outlay = £90 $^{10}/_{11}$ and the profit = £9 $^{1}/_{11}$
B in £200, the outlay = £181 $^{9}/_{11}$ and the profit = £18 $^{2}/_{11}$
C in £400, the outlay = £363 $^{7}/_{11}$ and the profit = £36 $^{4}/_{11}$

A = *cotton* [the product of the] peasant (I); B = *yarn* [the product of the] spinner (II), C = *woven fabric* [the product of the] weaver (III).

Under this assumption it does not matter whether A's £ 90 $^{10}/_{11}$ itself includes a profit or not. It will not do so if it constitutes self-replacing constant capital. It is equally irrelevant for B, whether the £ 100 [the value of product A] includes profit or not, and ditto with C in relation to B.

The relationship of C (the cotton-grower) or I, of S (spinner) or II and of W (weaver) or III is as follows:

I)	*Outlay* = £90$^{10}/_{11}$	*Profit* =£ 9 $^{1}/_{11}$	*Total* = £100
II)	*Outlay* = £100 (I) + £81$^{9}/_{11}$	*Profit* = £18 $^{2}/_{11}$	*Total* = £200
III)	*Outlay* = £200 (II) + £163$^{7}/_{11}$	*Profit* = £36 $^{4}/_{11}$	*Total* = £400

The grand total equals 700.
Profit equals £9 $^{1}/_{11}$ + £18 $^{2}/_{11}$ + £36 $^{4}/_{11}$ [=£63$^{7}/_{11}$]
Capital advanced in all three sections: £90 $^{10}/_{11}$ + £181 $^{9}/_{11}$ + £363 $^{7}/_{11}$ = £636 $^{4}/_{11}$
Excess of 700 over 636 $^{4}/_{11}$ = 63 $^{7}/_{11}$. But [the ratio of] 63 $^{7}/_{11}$: 636 $^{4}/_{11}$ is as 10 : 100.

Continuing to analyse this rubbish, we obtain the following:

I)	*Outlay* = £90 $^{10}/_{11}$	*Profit* =£ 9 $^{1}/_{11}$	*Total* = £100
II)	*Outlay* = £100 (I) + £81 $^{9}/_{11}$	*Profit* = 10+£8 $^{2}/_{11}$	*Total* = £200
III)	*Outlay* = £200 (II) + £163 $^{7}/_{11}$	*Profit* = 20+£16 $^{4}/_{11}$	*Total* = £400

I does not have to repay any profit, because it is assumed that his constant capital of £90$^{10}/_{11}$ does not include any profit, but represents purely constant capital. The entire product of I figures as constant capital in II's outlay. That part of constant capital which equals 100 yields a profit of £ 9 $^{1}/_{11}$ to I. The entire product [of] II which amounts to 200, enters into III's outlay, and thus yields a profit of £ 18 $^{2}/_{11}$. However, this does not in any

way alter the fact that I's profit is not one iota larger than II's or III's, because the capital which he has to replace is smaller to the same degree and the profit corresponds to the volume of the capital, irrespective of the composition of the capital.

Now let us assume that III produces everything himself. Then the position *seems* to change, because his outlay now appears as follows:

$90\ ^{10}/_{11}$ in the production of cotton; $181\ ^{9}/_{11}$ in the production of yarn and $363\ ^{7}/_{11}$ in the production of the woven fabric. He buys all three branches of production and must therefore continually employ a definite amount of constant capital in all three. If we now total this up we get: $90\ ^{10}/_{11} + 181\ ^{9}/_{11} + 363\ ^{7}/_{11} = 636\ ^{4}/_{11}$. 10 per cent of this is exactly $63\ ^{7}/_{11}$, as above, only that one individual pockets the lot, whereas previously the $63\ ^{7}/_{11}$ were shared among I, II and III.

||462| How did the wrong impression arise a little while ago?

But first, one other comment.

If from the 400, we deduct the profit of the weaver, which is included in it and which amounts to $36\ ^{4}/_{11}$, then we are left with $400–36^{4}/_{11} = 363^{7}/_{11}$, his outlay. This outlay includes 200 paid out for yarn, Of these 200, $18\ ^{2}/_{11}$ are the profit of the spinner. If we now deduct these $18\ ^{2}/_{11}$ from the outlay of $363\ ^{7}/_{11}$, we are left with $345\ ^{5}/_{11}$. But the 200 which are returnable to the spinner, also contain $9\ ^{1}/_{11}$ profit for the cotton-grower. If we deduct these from the $345\ ^{5}/_{11}$, we are left with $336\ ^{4}/_{11}$. And if we deduct these $336\ ^{4}/_{11}$ from the 400—the total value of the woven fabric—then it becomes evident that it contains a profit of $63\ ^{7}/_{11}$.

But a profit of $63\ ^{7}/_{11}$ on $336\ ^{4}/_{11}$ is equal to $18\ ^{34}/_{37}$ per cent.

Previously we calculated these 63 7/11 on 636 4/11, and obtained a profit of 10 per cent. The excess of the total value of 700 over 636 4/11 was in fact 63 7/11.

According to the present calculation, therefore, 18 34/37 per cent would be made on 100 of this same capital, whereas according to the previous calculation only 10 per cent.

How does this tally?

Supposing I, II and III are one and the same person, but that this individual does not employ three capitals simultaneously, one in cotton-growing, one in spinning and one in weaving. Rather, as soon as he ceases to grow cotton, he begins to spin it and as soon as he has spun, he finishes with this and begins to weave.

Then his accounting would look like this:

He invests £ 90 10/11 in cotton-growing. From this he obtains 4,000 lbs. of cotton, In order to spin these he needs to lay out a further £ 81 9/11 in machinery, auxiliary materials and wages. With this he makes the 4,000 lbs. of yarn. Finally he weaves these into 4,000 yards which involves him in a further outlay of £ 163 7/11. If he now adds up his expenditure, the capital which he has advanced amounts to £ 90 10/11 + £ 81 9/11 + £ 163 7/11, i.e., £ 336 4/11. 10 per cent on this would be 33 7/11, because 336 4/11 : 33 7/11 is as 100 : 10. But £ 336 4/11 + £ 33 7/11 = £ 370. He would thus sell the 4,000 yards at £ 370 instead of at £ 400, i.e., at £ 30 less, i.e., at a price which is 7 1/2 per cent lower than before. If the value indeed were £ 400, he could thus sell at the usual profit of 10 per cent and in addition pay a rent of £ 30, because his rate of profit would not be 33 7/11 but 63 7/11 on his advances of 336 4/11, i.e., 18 34/37 per cent, as we saw earlier on. And this in fact appears to be the manner in which Herr Rodbertus makes out his calculation of rent.

What does the fallacy consist of? First of all it is evident that if spinning and weaving are combined, they should [according to Rodbertus] yield a rent, just as if spinning is combined with cultivation or if agriculture is carried on independently.

Evidently two different problems are involved here.

Firstly we are calculating the £ 63 $^{7}/_{11}$ only on one capital of £ 336 $^{4}/_{11}$, whereas we should be calculating it on three capitals of a total value of £ 636 $^{4}/_{11}$.

Secondly in the last capital, that of III, we are reckoning his outlay to be £ 336 $^{4}/_{11}$, instead of £ 363 $^{7}/_{11}$.

Let us go into these points separately.

Firstly: If III, II and I are united in one person, and if he spins up the entire product of his cotton harvest, then he does not use any part of this harvest at all to replace his agricultural capital. He does not employ part of his capital in ||463| cotton-growing—in expenditure on cotton-growing, seeds, wages, machinery—and another part in spinning, but he first puts a part of his capital into cotton-growing, then this part plus a second into spinning, and then the whole of these two first parts, now existing in the form of yarn, plus a third part, into weaving. Now when the fabric of 4,000 yards has been woven, how is he to replace its elements? While he was weaving he wasn't spinning, and he had no material from which to spin; while he was spinning he did not grow any cotton. Therefore his elements of production cannot be *replaced*. To help ourselves along, let us say: Well, the fellow sells the 4,000 yards and then "buys" yarn and the elements of cotton out of the £ 400. Where does this get us? To a position where we are in fact assuming that three capitals are simultaneously employed and engaged and laid out in production. But yarn cannot be bought unless it is available and in order to buy cotton it must be

available as well. And so that they are available to replace the woven yarn and the spun cotton, simultaneously with the capital employed in weaving, capitals must be invested which are turned into cotton and yarn at the same time as the yarn is turned into woven fabric.

Thus, whether III combines all three branches of production or whether three producers share them, three capitals must be available simultaneously. If he wants to produce on *the same* scale, he cannot carry on spinning and cotton-growing with the same capital which he used for weaving. Every one of these capitals is engaged and their reciprocal replacement does not affect the problem under discussion. The replacement capitals are the constant capital which must be invested and operating in each of the three branches simultaneously. If the £ 400 contain a profit of £ $6\,^{37}/_{11}$, then this is only because besides his own profit of £ $36\,^{4}/_{11}$, we allow III to gather in the profit which he has to pay to II and I and which, according to the assumption, is realised in his commodity. But the profit was not made on his £ $363\,^{7}/_{11}$. The peasant made it on his additional £ $90\,^{10}/_{11}$ and the spinner on his £ $181\,^{9}/_{11}$. When he pockets the whole amount himself, he likewise has not made it on the £ $363\,^{7}/_{11}$ that he invested in weaving, but on this capital and on his two other capitals invested in spinning and cotton-growing.

Secondly: If we reckon III's outlay to be £ $336\,^{4}/_{11}$ instead of £$363\,^{7}/_{11}$, then this arises from the following:

We take his outlay on cotton-growing to be only £ $90\,^{10}/_{11}$ instead of 100, But he needs the whole product and this equals £ 100 and not $90\,^{10}/_{11}$. It contains the profit of $9\,^{1}/_{11}$. Or else he would be employing a capital of £ $90\,^{10}/_{11}$ which would bring him *no profit*. His cotton-growing would yield him no profit but would just replace his expenditure of £ $90\,^{10}/_{11}$. In the same way, spinning

would not bring him any profit, but the whole of the product would only replace his outlay.

In this case, his expenditure would indeed be reduced to 90 $^{10}/_{11}$ + 81 $^{9}/_{11}$ + 163 $^{7}/_{11}$ = 336 $^{4}/_{11}$. This would be the capital he has advanced. 10 per cent on this would be £ 33 $^{7}/_{11}$. And the value of the product would be £ 370. The value would not be one farthing higher because, according to the supposition, portions I and II have not brought in any profit. Accordingly III would have done much better to leave I and II well alone and to keep to the old method of production. For instead of the £ 63 $^{7}/_{11}$ which were previously at the disposal of I, II and III, III now has only £ 33 $^{7}/_{11}$ for himself whereas previously, when his fellows were alongside of him, he had £ 36 $^{4}/_{11}$. He would indeed be a very bad hand at business. He would only have saved an outlay of £ 9 $^{1}/_{11}$ in II because he had made no profit in I, and he would have saved an outlay of £ $^{182}/_{11}$ in III, by not making a profit in II. The £90$^{10}/_{11}$ in cotton-growing and the 81 $^{9}/_{11}$ + 90 $^{10}/_{11}$ in spinning would both have only replaced themselves. Only the third capital of 90 $^{10}/_{11}$ + 81 $^{9}/_{11}$ + 163 $^{7}/_{11}$ invested in weaving, would have yielded a profit of 10 per cent. This would mean that [£] 100 would yield 10 per cent profit in weaving, but not one farthing in spinning and cotton-growing. This would be very pleasant for III, so long as I and II are persons other than himself, but by no means so, if, in order *to save these petty profits and pocket them himself*, he has united these three branches of business in one and the same person, namely, his worthy self. The saving of advances for profit (or that component part of the ||464| constant capital of one capitalist which is profit for the others) arose therefore from the fact that [the products of] I and II contained no profits and that I and II performed no surplus-labour but regarded themselves merely as wage-labourers who only had to replace *their costs of production*, i.e., the outlay in constant capital and

wages. Thus, in these circumstances—provided I and II were not prepared to work for III, since if they did, profit would go to *his* account—less labour would have been done in any case, and it would not matter to III whether the work for which he has to pay is only laid out in wages, or in wages and profit. This is all the same to him, in so far as he buys and pays for the product, the *commodity*.

Whether constant capital is wholly or partially replaced in *kind*, in other words, whether it is replaced by the producers of the commodity for which it serves as constant capital, is of no consequence. First of all, all constant capital must in the end be replaced in kind: machinery by machinery, raw material by raw material, auxiliary material by auxiliary material. In agriculture, constant capital may also enter as a *commodity*, i.e., be mediated directly by purchase and sale. In so far as organic substances enter into reproduction, the constant capital must of course be replaced by products of the same sphere of production. But it need not be replaced by the individual producers within this sphere of production. The more agriculture develops, the more all its elements enter into it as commodities, not just formally, but in actual fact. In other words, they come from outside, for instance, seeds, fertilisers, cattle, animal substances, etc., are the products of other producers. In industry, for example, the continual movement to and fro of iron into the machine shop and machines into the iron mines, is just as constant as is the movement of wheat from the granary to the land and from the land to the granary of the farmer. The products in agriculture are replaced directly. Iron cannot replace machines, But iron, to the value of the machine, replaces the machine for one [producer], and [the machine replaces] the iron for the other, in so far as the value of his machine is replaced by iron.

It is difficult to see what difference it is supposed to make to the rate of profit if the peasant, who lays out the

£ 90 $^{10}/_{11}$ on a product of £ 100, were to compute that, for instance, he spends £ 20 on seeds etc., £ 20 on machinery etc., and £ 50 $^{10}/_{11}$ on wages. What he wants is a profit of 10 per cent on the total sum. The £ 20 of the product which he sets against seeds do not include any profit. Nevertheless, this is just as much £ 20 as the £ 20 in machinery, in which there may be a profit of 10 per cent, although this may be only formal. In actual fact the £ 20 in machinery, like the £ 20 in seeds, may not contain a single farthing of profit. This is the case if these £ 20 are merely a replacement for components of the machine builder's constant capital, which he draws from agriculture, for instance.

Just as it would be wrong to say that all machinery goes into agriculture as its constant capital, so it is incorrect to say that all raw material goes into manufacture. A very large part of it remains fixed in agriculture and only represents a reproduction of constant capital. Another part of it goes directly into revenue in the form of food and some of it, like fruit, fish, cattle etc., does not undergo a "manufacturing process" at all. It would therefore be incorrect to burden industry with the entire bill for all the raw materials "manufactured" by agriculture. Of course in those branches of manufacture where the raw material features as an advance, alongside wages and machinery, the capital advanced must be greater than in *those* branches of agriculture which supply the raw material used. It could also be assumed that if these branches of manufacture had their *own* rate of profit (different from the general rate) it would be smaller here than in agriculture because less labour is employed. For, with a given rate of surplus-value, more constant capital and less variable capital necessarily bring in a lower rate of profit. This, however, applies equally to certain branches of manufacture as against others and to certain branches of agriculture (in the economic sense) as against others. It is in fact least likely to occur in agriculture

proper, because, although it supplies raw material to industry, it differentiates between raw materials, machinery and wages in its own expenditure account, but industry by no means pays agriculture for the *raw material*, i.e., for that part of constant capital which it replaces from within itself and not by exchange with industrial products.

[5. Wrong Assumptions in Rodbertus's Theory of Rent]

||465| Now to a brief resumé of Herr Rodbertus.

First he describes the situation as he imagines it, where the owner of the land is at the same time the capitalist and slave-owner. Then there comes a separation. That part of the "product of labour" which has been taken from the workers—the "one natural rent"—is now split up into "rent of land and capital gain" ([Rodbertus, *Sociale Briefe an von Kirchmann. Dritter Brief*, Berlin, 1851,] pp. 81–82). (Mr. *Hopkins*—see notebook—explains this in even more simple and blunt terms.)

Then Herr Rodbertus divides the "raw product" and "manufactured product" (p.89) between the landowner and the capitalist—*petitio principii*. One capitalist produces raw products and the other manufactured products. The landowner produces *nothing*, neither is he the "owner of raw products". That [i.e., that the landowner is the "owner of raw products"] is the conception of a German "landed proprietor" such as Herr Rodbertus is. In England, capitalist production began simultaneously in manufacture and in agriculture.

How a "rate of capital gain" (rate of profit) comes about, is explained by Herr Rodbertus purely from the fact that

money now provides a "measure" of gain, making it possible to "express the relationship of gain to capital" (p. 94) and thus "supplying a standard gauge for the equalisation of capital gains" (p. 94). He has not even a remote idea that this *uniformity of profit is in contradiction* to the equality of rent and unpaid labour in each branch of production, and that therefore the values of commodities and the average prices must differ. This rate of profit also becomes the norm in agriculture because the "*return on property* cannot be calculated upon anything other than capital" (p. 95) and by far the "larger part of the national capital is employed" (p. 95) in manufacture. Not a word about the fact that with the advent of capitalist production, agriculture itself is revolutionised, not only in a formal sense but really, and the landowner is reduced to a mere receptacle, ceasing to fulfil any function in production. According to Rodbertus

> "in manufacture, the *value of the entire product of agriculture* is included in the capital as *raw material*, whereas this cannot be the case in primary production" (p. 95).

The entire bit is *incorrect*.

Rodbertus now asks himself whether apart from the industrial profit, the profit on capital, there remains "a rent" for the raw product, and if so "for what reasons" (p. 96).

He even assumes

> "that the raw product like the manufactured product exchanges according to its labour costs, that the value of the raw product is only equal to its labour cost" (p. 96).

True, as Rodbertus says, Ricardo also assumes this. But it is wrong, at least *prima facie*, since commodities do not exchange according to their values, but at average prices, which differ from their values, and this, moreover, is a

consequence of the apparently contradictory law, the determination of the value of commodities by "labour-time". If the raw product carried a rent apart from and distinct from average profit, this would only be possible if the raw product were *not* sold at the average price and why this happens would then have to be explained. But let us see how Rodbertus operates.

> "I have *assumed* that the rent" (the *surplus-value*, the unpaid labour-time) "*is distributed according to the v a l u e of the raw product and the manufactured product*, and that this value is determined by *labour costs*" (labour-time) (pp. 96–97).

To begin with we must examine this first *assumption*. In fact this just means that the *surplus-values* contained in the commodities are in the same proportion as their *values*, or, in other words, the *unpaid* labour *contained* in the commodities is proportionate to the total quantities of *labour* they *contain*. If the quantity of labour contained in the commodities A and B is as 3 : 1, then the unpaid labour—or surplus-values—contained in them is as 3 : 1. Nothing could be further from the truth. Given the necessary labour-time, for instance 10 hours, one commodity may be the product of 30 workers while the other is the product of 10. If the 30 workers only work 12 hours, then the surplus-value created by them [amounts to] 60 hours, which is 5 days (5×12), and if the 10 [others] work 16 hours a day, then the surplus-value created by them is also 60 hours. According to this, the value of product A would be 30×12 = 120×3 = 360 [working hours] which is 30 working days <12 hours are 1 working day>. And the value of commodity B would be equal to 160 working hours which is $13\,{}^{1}/_{3}$ working days. The *values* of commodities A and B [are as] 360 : 160, as 36 : 16, as 9 : 4, as $3 : 1\,{}^{1}/_{3}$. The surplus-values contained in the commodities, however, are as 60 : 60 = 1 : 1. They are equal, although the values are as $3 : 1\,{}^{1}/_{3}$.

||466| [Firstly] therefore, the surplus-values of the commodities are not proportionate to their values, if the absolute surplus-values, the extension of labour-time beyond the necessary labour, i.e., the *rates of surplus-value*, are different.

Secondly, assuming the rates of surplus-value to be the same, and leaving aside other factors connected with circulation and the reproductive process, then the surplus-values are not dependent on the relative quantities of labour contained in the two commodities, but on the proportion of the part of capital laid out in wages to the part which is laid out in constant capital, raw material and machinery. And this proportion can be entirely different with commodities of equal values, whether they be "agricultural products" or "products of manufacture", which in any case has nothing to do with this business, at least not on the face of it.

Rodbertus's first assumption, that, if the values of commodities are determined by labour-time, it follows that the quantities of unpaid labour *contained* in various commodities—or their surplus-values—are directly related to their values is therefore fundamentally wrong. It is therefore also incorrect to say that

> "*rent* is distributed according to the *value* of the raw product and the manufactured product", if "this value is determined by *labour costs*"(pp. 96–97).
>
> "Of course it follows from this that the size of these portions of rent is not determined by the *size of the capital on which the gain is calculated*, but by the *direct labour*, whether it be agricultural or manufacturing + that amount of labour which must be added on account of the wear and tear of tools and machines" (p. 97).

Wrong again. The volume of surplus-value (and in this case surplus-value is the *rent*, since rent is here regarded

as the general term, as opposed to profit and ground-rent) depends only on the immediate labour involved and not on the depreciation of fixed capital. Just as it does not depend on the value of the raw material or indeed on any part of the constant capital.

The wear and tear does, of course, determine the rate at which fixed capital must be reproduced. (At the same time, its production depends on the formation of new capital, on the accumulation of capital.) But the surplus-labour which is performed in the production of fixed capital does not affect the sphere of production into which this fixed capital enters as such, any more than does the surplus-labour which goes into the production of, say, the raw materials. It is rather equally valid for all of them, agriculture, production of machines and manufacture, that their surplus-value is determined only by the amount of labour employed, if the rate of surplus-value is given, and, by the rate of surplus-value, if the amount of labour employed is given. Herr Rodbertus seeks to "drag in" wear and tear in order to chuck out "raw materials".

> On the other hand, Herr Rodbertus maintains that the size of the rent can never he influenced by "that part of capital which consists of material value", since "for instance, the labour cost of wool as a raw material cannot affect the labour cost of a particular product such as yarn or fabric" (p. 97).

The labour-time which is required for spinning and weaving is as much, or rather as little, dependent on the labour-time— i.e., the *value*—of the machine, as it is on the labour-time which the raw material costs. Both machine and raw material enter into the labour process; neither of them enters into the process of creating surplus-value.

> "On the other hand, the value of the primary product, or the material value, does figure as *capital outlay* in the capital upon which the

> owner has to calculate his gain, the part of the rent falling on the manufactured product. *But in agricultural capital this part of capital is missing*. Agriculture *does not require any material which is the product of a previous production, in fact it actually begins the production*, and in agriculture, that part of the property which is analogous with material, would be the land itself, which is however assumed to be without cost" (pp. 97–98).

This is the conception of the German peasant. In agriculture (excluding mining, fishing, hunting but *by no means stock-raising*) seeds, feeding stuffs, cattle, mineral fertilisers etc. form the material for manufacturing and this material ||467| is the product of *labour*. This "*outlay*" grows proportionately to the development of industrialised agriculture. All production—once we are no longer dealing with mere taking and appropriating—is reproduction and hence requires "the product of a previous production as material". Everything which is the result of production is at the same time a prerequisite of production. And the more large-scale agriculture develops the more it buys products of "a previous production" and sells its own. In agriculture these expenses feature as commodities in a formal sense—converted into commodities by being reckoned in money—as soon as the farmer becomes at all dependent on the sale of his product; as soon as the prices of various agricultural products (like hay for example) have established themselves, for division of the spheres of production takes place in agriculture as well. Queer things must be happening in the mind of a peasant if lie reckons the quarter of wheat which he sells as *income*, but does not reckon the quarter which he puts into the soil as *expenditure*. Incidentally, Herr Rodbertus ought to try somewhere to "begin the production", for instance of flax or silk, without "products of a previous production". This is absolute nonsense.

And therefore also the rest of Rodbertus's conclusions:

> "The two parts of capital that influence the *size* of the rent are thus common to agriculture and industry. The part of capital, however, that does not influence the size of the rent—but on which gain, i.e., the rent determined by those parts of capital, is also calculated—is to be found in industrial capital alone. According to the assumption, the value of the raw product like that of the manufactured product is dependent on labour cost and since rent accrues to the owners of the primary product and of the manufactured product proportionately to this value. Therefore *the rent yielded in raw material production and industrial production is relative to the quantities of labour which the respective product has cost, but the capitals employed in agriculture and in industry, on which the rent is distributed as gain*—namely in manufacture entirely, in agriculture according to the rate of gain prevailing *in manufacture*—are not in the same proportion as those quantities of labour and the rent determined by them. Although *an equal amount of rent accrues to the primary product and to the industrial product*, industrial capital is larger than agricultural capital by the entire value of the raw material it contains. Since the value of this raw material *augments the industrial capital on which the available rent is calculated as gain, but not the gain itself*, and thus simultaneously helps to *lower the rate of capital gain*, which also prevails in *agriculture*, there must necessarily be left over in agriculture a part of the rent accruing there which is not absorbed by the *calculation of gain based on this rate of gain*" (pp. 98–99).

First wrong proposition: If industrial products and agricultural products exchange according to their *values* (i.e., in relation to the labour-time required for their production), then they yield to their owners equal amounts of *surplus-value* or quantities of unpaid labour. Surplus-values *are not* proportional to values.

Second wrong proposition: Since Rodbertus presupposes a *rate of profit* (which he calls rate of capital gain) the supposition that commodities *exchange in the proportion of their values* is incorrect. One proposition excludes the other. For a (general) *rate of profit* to exist, the *values* of the commodities must have been *transformed into average prices* or must be in the process of transformation. The *particular rates of profit* which are formed in every sphere of production on the basis of the ratio of *surplus-value to capital advanced*, are equalised in this general rate. Why then not in agriculture? That is the question. But Rodbertus does not even formulate this question correctly, because *firstly* he presupposes that there is a general *rate of profit* and *secondly* he assumes that the *particular* rates of profit (hence also their differences) are *not* equalised and thus that commodities exchange at their *values*.

Third wrong proposition: The value of the raw material does not enter into agriculture. Rather here, the advances of seeds etc. are component parts of constant capital and are calculated *as such* by the farmer. To the same degree that agriculture becomes a mere branch of industry—i.e., that capitalist production is established on the land— ||468| to the degree to which agriculture produces for the market, produces *commodities*, articles for sale and not for its own consumption—to the same degree it calculates its outlay and regards each item of expenditure as a commodity, whether it buys it from itself (i.e., from *production*) or from a third person. The *elements of production* naturally become commodities to the same extent as the *products* do, because, after all, these elements are those very same products. Since wheat, hay, cattle, seeds of all kinds etc. are thus *sold* as commodities—and, since this sale is the essential thing, not their use as a means of subsistence—they also enter

into production as *commodities* and the farmer would have to be a real blockhead not to be able to use money as the unit of account. This is, however, only the formal aspect of the calculation. But simultaneously [the position] *develops* [in such a way] that the farmer buys his *outlay*, seeds, cattle, fertilisers, mineral substances etc. while he sells his *receipts*, so that for the individual farmer these advances are also advances in the formal sense in that they are *bought commodities*. (They have always been commodities for him, component parts of his capital. And when he has returned them, in kind, to production, he has regarded them as *sold* to himself in his capacity as producer.) Moreover, this takes place to the same extent as agriculture develops and the final product is produced increasingly by industrial methods and according to the capitalist mode of production.

It is therefore wrong to say that there is a part of capital which enters into industry but *not* into agriculture.

Suppose then, according to *Rodbertus's (false) proposition*, that the "portions of rent" (i.e., shares of surplus-value) yielded by the agricultural product and the industrial product are given, and that they are proportionate to the *values* of the agricultural product and the industrial product. Supposing, in other words, industrial products and agricultural products of *equal values* yield equal *surplus-values* to their owners, i.e., contain *equal quantities of unpaid labour*, then no disparity arises owing to a part of capital entering into industry (for raw material) which does not enter into agriculture, so that, for instance, the same surplus-value would be calculated in industry on a capital *augmented* by this amount and hence result in a smaller rate of profit. For the same *item* of capital goes into agriculture. There only remains the question of whether it does so *in the same proportion*. But this brings us to *mere quantitative differences* whereas Herr Rodbertus wants a "*qualitative*" difference. These

same *quantitative differences* occur between different *industrial* spheres of production. They compensate one another in the general rate of profit. Why not as between industry and agriculture (if there are such differences)? Since Herr Rodbertus allows agriculture to participate in the *general rate of profit*, why not in the process of its formation? But of course that would mean the end of his argument.

Fourth wrong proposition: It is wrong and arbitrary of Rodbertus to include *wear and tear of machinery* etc., that is an element of *Constant capital*, in *variable capital*, that is, in the part of capital which creates surplus-value and in particular determines the rate of surplus-value, and at the same time, *not* to include raw material. He makes this *accounting error* in order to arrive at the result he wanted from the outset.

Fifth wrong proposition: If Herr Rodbertus wants to differentiate between agriculture and industry, then that *element of capital* which consists of fixed capital such as machinery and tools belongs entirely to *industry*. This element of capital, in so far as it becomes part of any capital, can only enter into *constant capital*; and can never increase *surplus-value* by a single farthing.

On the other hand, as a *product of industry*, it is the result of a particular sphere of production. Its price, or the value which it forms within the whole of social capital, at the same time represents a *certain quantity of surplus-value* (just as is the case with raw material). Now it does enter into the agricultural product, but it stems from industry. If Herr Rodbertus reckons raw material to be an element of capital in industry which comes from outside, then he must charge machines, tools, vessels, buildings etc. as an element of capital in agriculture, which comes from outside. He [must] therefore say that industry comprises only wages and raw materials

(because fixed capital, in so far as it is not raw materials, is a product of industry, its own product) whereas agriculture comprises only wages ||469| and machinery etc., i.e., fixed capital, because *raw material*, in so far as it is not embodied in tools etc., is the product of agriculture. It would then be necessary to examine how the absence of this "item" affects the account in industry.

Sixthly: It is quite true that mining, fishing, hunting, forestry (in so far as the trees have not been planted by man) etc., in short, the *extractive industries*—concerned with the extraction of raw material that is not *reproduced* in kind—use *no raw materials*, except *auxiliary materials*. This does *not* apply to agriculture.

But it is equally [true] that *the same* does hold good for a very large part of *industry*, namely the *transport industry*, in which *outlay* consists only of machinery, auxiliary materials and wages.

Finally, there are certainly other *branches of industry*, such as tailoring etc., which, relatively speaking, only absorb raw materials and wages, but no machinery, fixed capital etc.

In all these instances, the size of the *profit*, i.e., the *ratio of surplus-value* to *capital advanced*, would not depend on whether the advanced capital—after deduction of *variable capital, or the part of capital spent on wages*—consists of machinery or raw material or both, but it would depend on the magnitude of the capital advanced relative to the part of the capital spent on wages. Different rates of profit (apart from the modifications brought about by circulation) would thus exist in the different spheres of production, the result of their equalisation being the general rate of profit.

Rodbertus surmises that there is a difference between surplus-value and its special forms, in particular profit. But he misses the point because, right from the beginning, he is concerned with the explanation of a *particular* phenomenon (ground rent) and not [with] the establishment of a general law.

Reproduction occurs in all branches of production; but only in agriculture does this industrial reproduction coincide with natural reproduction. It does not do so in *extractive industry*. That is why, in the latter, the product does not in its natural form become an element in its own reproduction (except in the form of auxiliary material).

What distinguishes agriculture, stock-raising, etc. from other industries is, *firstly, not* the fact that a product becomes a means of production, since that happens to all industrial products which have not the definite form of individual means of subsistence. And even as such they become means of production of the *producer* who reproduces himself or maintains his labour-power by consuming them.

Secondly, the difference *is not* the fact that agricultural products enter into production as *commodities*, i.e., as component parts of capital; they go into production just as they come out of it. They emerge from it as commodities and they re-enter it as commodities. The commodity is both the prerequisite and the result of capitalist production.

Hence thirdly, there *only* [remains] the fact that they enter as their own means of production into the production process whose product they are. This is also the case with machinery. Machine builds machine. Coal helps to raise coal from the shaft. Coal transports coal etc. In agriculture this appears as a natural process, guided by man, although he also causes it to some

extent. In the other industries it appears to be a direct effect of industry.

But Herr Rodbertus is on the wrong track altogether if he thinks that he must not allow *agricultural products* to enter into reproduction as "*commodities*" because of the peculiar way in which they enter it as "use-values" (technologically). He is evidently thinking of the time when agriculture was not as yet a trade, when only the *excess* of its production over what was consumed by the producer became a *commodity* and when even those products, in so far as they entered into production, were not regarded as *commodities*. This is a fundamental misunderstanding of the application of the capitalist mode of production to industry. For the capitalist mode of production, every product which has value—and is therefore in itself a *commodity—also* figures as a commodity in the accounts.

[6. Rodbertus's Lack of Understanding of the Relationship Between Average Price and Value in Industry and Agriculture. The Law of Average Prices]

Supposing, for example, that in the mining industry, the constant capital, which consists purely of machinery, amounts to £ 500 and that the capital laid out in wages also amounts to £ 500. Then, if the surplus-value is 40

per cent, i.e., £ 200, the profit [would be] 20 per cent. Thus:

constant capital Machinery	variable capital	surplus-value
500	500	200

If the same variable capital were laid out in those branches of manufacture (or of agriculture) in which raw materials play a part, and furthermore, if the utilisation of this variable capital (i.e, the employment of this particular number of workers) required machinery etc., to the value of £ 500, then indeed a third element, the value of the raw materials, would have to be added, say again, £ 500. Hence in this case:

constant capital				variable capital	surplus-value
Machinery		Raw materials			
500	+	500	= 1,000	500	200

The £ 200 would now have to be reckoned on £ 1,500 and would only be 13 $^{1}/_{3}$ per cent. This example would still apply, if in the first case the transport industry had been quoted as an illustration. On the other hand, the rate of profit would remain the same in the second case if machinery cost 100 and raw materials 400.

||470| What, therefore, Herr Rodbertus imagines is that in industry 100 are laid out in machinery, 100 in wages and x in raw materials, whereas in agriculture 100 are laid out in wages and 100 in machinery. The scheme would be like this:

I. Agriculture

Constant capital Machinery	Variable capital	Surplus-value	Rate of profit

100	100	50	$^{50}/_{200} = {}^{1}/_{4}$

II. Industry

Constant capital			Variable capital	Surplus-value	Rate of profit
Raw materials	Machinery				
x	100	[=x+100]	100	50	$^{50}/_{200 + x}$

It must therefore be, at any rate, less than $^{1}/_{4}$, Hence the rent in I.

Firstly then, this difference between agriculture and manufacture is *imaginary*, non-existent: it has *no bearing* on that form of rent which determines all others.

Secondly, Herr Rodbertus could find this difference between the rates of profit in any two individual branches of industry. The difference is dependent on the *proportion of constant capital to variable capital* and the proportion in turn may or may not be determined by the addition of raw materials. In those branches of industry which use raw materials as well as machinery, the value of the raw materials, i.e., the relative share which they form of the total capital, is of course very important, as I have shown earlier. This has nothing to do with ground-rent.

> "Only when the value of the raw product falls *below* the cost of labour is it possible that in agriculture too the whole *portion of rent accruing to the raw product is absorbed in the gain calculated on capital.* For then this portion of rent may be so reduced that although agricultural capital does not comprise the value of raw material, the ratio between these two is similar to that existing between the portion of rent accruing to the manufactured product and the manufacturing capital, although the latter contains the value of material, Hence only in those circumstances is it possible that in agriculture too, no rent is left over besides

> capital gain, But in so far as, in practice, as a rule, conditions gravitate towards the law that value equals labour cast, so, as a rule, ground-rent is also present. The absence of rent and the existence of nothing but capital gain, is not the original state of' affairs, as Ricardo maintains, but only an exception" (p. 100).

Thus, continuing with the above example; but taking raw materials as £ 100, to have something tangible, we get:

I. Agriculture

Constant capital		Variable capital	Surplus-value	Value	Price	Profit
	Machinery					
	100	100	50	250	233 1/3	[33 1/3 =] 16 2/3 per cent

II. Industry

Constant capital		Variable capital	Surplus-value	Value	Price	Profit
Raw materials	Machinery					
100	100	100	50	350	350	50 = 16 2/3 per cent

Here the rate of profit in agriculture and industry would be the same, therefore nothing would be left over for rent, because the agricultural product is sold at £ 16 2/3 *below* its *value*. Even if the example were as correct as it is false *for agriculture*, then the circumstance that the value of the raw product falls "*below* the cost of labour" would in any case only correspond to the law of *average prices*. Rather it needs to be explained *why "as an exception*" this is to a certain extent *not* the case in

agriculture and why here the total surplus-value (or at least to a larger extent than in the other branches of industry, a *surplus* above the average rate of profit) *remains* in the price of the product of this particular branch of production and does not participate in. the formation of the general rate of profit. It becomes evident here that Rodbertus does not understand what the (general) rate of profit and the average price are.

In order to make this *law* quite clear, and this is far more important than Rodbertus, we shall take five examples. We assume the rate of surplus-value to be the same throughout.

It is not at all necessary to compare commodities of *equal* value; they are to be compared only at *their value*. To simplify matters, the commodities compared here are taken as produced by capitals of equal size.

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	Constant Capital		Variable Capital (wages)	Surplus-value	Rate of surplus-value	Profit	Rate of profit	Value of product
	Machinery	Raw materials						
I	100	700	200	100	50 per cent	100	10 per cent	1,100
II	500	100	400	200	50 per cent	200	20 per cent	1,200
III	50	350	600	300	50 per cent	300	30 per	1,300

							cent	
IV	700	none	300	150	50 per cent	150	15 per cent	1,150
V	none	500	500	250	50 per cent	250	25 per cent	1,250

We have here, in the categories I, II, III, IV and V (five different spheres of production), commodities whose respective *values* are £ 1,100, £ 1,200, £ 1,300, £ 1,150 and £ 1,250. These are the money prices at which these commodities would exchange if they were exchanged according to their *values*. In all of them the capital advanced is of *the same* size, namely £ 1,000. If these commodities were exchanged at their values, then the rate of profit in I would be only 10 per cent; in II, twice as great, 20 per cent; in III, 30 per cent; in IV, 15 per cent; in V, 25 per cent. If we add up these particular rates of profit they come to 10 per cent+20 per cent+30 per cent+15 per cent+25 per cent, which is 100 per cent.

If we consider the entire capital advanced in all five spheres of production, then one portion of this (I) yields 10 per cent, another (II) 20 per cent etc. The average yielded by the total capital equals the average yielded by the five portions, and this is:

$$100 \text{ (the total sum of the rates of profit)} \Big/ 5 \text{ (the number of different rates of profit)}$$

i.e., 20 per cent.

In fact we find that the £ 5,000 capital advanced in the five spheres yield a profit of 100+200+300+150+250=1,000; 1,000 on 5,000 is $^1/_5$ which is 20 per cent. Similarly: if we work out the *value of the total product*, it comes to £ 6,000 and the

excess on the £ 5,000 capital advanced is £ 1,000, which is 20 per cent in relation to the *capital advanced, that* is 1/6 or 16 2/3 per cent *of the total product*. (This again is another calculation.) However, so that in fact each of the capitals advanced, i.e., I, II, III etc.—or what comes to the same thing, that capitals *of equal* size—should receive a part of the surplus-value yielded by the aggregate capital *only in proportion to their magnitude, i.e., only in proportion to the share they represent in the aggregate capital advanced*, each of them should get only 20 per cent profit and each must get this amount. ||472| But to make this possible, the products of the various spheres must in some cases be sold *above* their value and in other cases more or less *below* their value. In other words, the total surplus-value must be distributed among them not in the proportion in which it is made in the *particular* sphere of production, but in proportion to the *magnitude* of the capitals advanced. All must sell their product at £ 1,200, so that the excess of the value of the product over the capital advanced is 1/5 of the latter, i.e., 20 per cent.

According to this apportionment:

	Value of Product	Surplus-value	Average price	[Relation of average price to value]	Relation of profit to surplus-value in per cent	Calculated Profit
I	1,100	100	1,200	Excess of average price over value 100	Excess of profit over surplus-value 100 per cent	200
II	1,200	200	1,200	Value equal to price 0	0	200

III	1,300	300	1,200	Decrease in average price below value 100	Decrease in profit below surplus-value 33$^{1}/_{3}$ per cent	200
IV	1,150	150	1,200	Excess of price over value 50	Excess of profit over surplus-value 33$^{1}/_{3}$ per cent	200
V	1,250	250	1,200	Excess of value over price 50	Excess of surplus-value over profit 25 per cent. Decrease in profit below surplus-value 20 per cent	200

This shows that only in one instance (II) the average price equals the value of the commodity, because by coincidence, the *surplus-value* equals the *normal average profit of 200*. In all other instances a greater or a lesser amount of surplus-value is taken away from one [sphere] and given to another, etc.

What Herr Rodbertus had to explain was, why this [is] *not* the case *in agriculture*, hence [why] its commodities should be sold at their *value* and not their *average price*.

Competition brings about the equalisation of profits, i.e., the reduction of the *values* of the commodities to *average prices*. The individual capitalist, according to Mr. Malthus, expects an equal profit from every part of *his* capital—which, in other words, means only that he regards each part of his capital (apart from its *organic* function) as an independent source of profit, that is how it *seems* to him. Similarly, in relation to the class of capitalists, every capitalist regards his *capital* as a source of profit *equal* in volume to that which is being made by every other capital of *equal size*. This means that each capital in a particular sphere of production is only regarded as *part of the aggregate capital which has been advanced to production* as a whole and demands its share in the total surplus-value, in the total amount of unpaid labour or labour products—in proportion to its size, its stock—in accordance to the proportion of the aggregate capital it constitutes. This *illusion* confirms for the capitalist—to whom everything in competition *appears* in reverse—and not only for him, but for some of his most devoted pharisees and scribes, that capital is a source of income *independent* of labour, since in fact the profit on capital in each particular sphere of production is by no means solely determined by the quantity of unpaid labour which it itself "*produces*" and throws into the pot of aggregate profits, from which the individual capitalists draw their quota in proportion to their shares in the total capital.

Hence Rodbertus's nonsense. Incidentally, in some branches of agriculture—such as stock-raising—the variable capital, i.e., that which is laid out in wages, is extraordinarily small compared with the constant part of capital.

> "*Rent*, by its very nature, is always *ground-rent*" (p. 113).

Wrong. Rent is always paid to the landlord; that's all. However, if, as so often occurs in practice, it is partially or wholly a deduction from normal profit or a deduction from normal wages (true surplus-value, i.e., profit plus rent, is never a *deduction f r o m* wages, but is that part of the product of the worker which remains *after deduction* of the wage *from* this product) then from an economic point of view, it is not rent of land. In practice this is proved as soon as ||473| competition restores the normal Wage and the normal profit.

Average prices, to which competition constantly tends to reduce the *values* of commodities, are thus achieved by constant *additions to* the *value* of the product of one sphere of production and *deductions from* the *value* of the product of another sphere—except in the case of II in the above table—in order to arrive at the *general rate of profit*. With the commodities of the particular sphere of production where the ratio of variable capital to the total sum of capital advanced (assuming the rate of surplus-labour to be given) corresponds to the average ratio of social capital—value equals average price; neither an *addition to* nor a *deduction from value* is therefore made. If, however, owing to special circumstances which we will not go into here, in certain spheres of production a *deduction* is not made from the value of the commodities (although it stands *above* the average price, not just temporarily but on an average) then this retention of the *entire surplus-value* in a particular sphere of production— although the *value* of the commodity is above the *average price* and therefore yields a rate of profit higher than the average—is to be regarded as a privilege of that sphere of production. What we are concerned with here and have to explain as a *peculiar feature*, as an *exception*, is not that the *average price* of commodities is reduced *below* their value—this [would be] a general phenomenon and a

necessary prerequisite for equalisation—but why, in contrast to other commodities, certain commodities are sold *at* their value, above the average price.

The average price of a commodity equals its *cost of production* (the capital advanced in it, be it in wages, raw material, machinery or whatever else) plus average profit. Hence if, as in the above example, average profit is 20 per cent which is $^1/_5$, then the average price of each commodity is *C* (the capital advance) +*P/C* (the average rate of profit). If *C*+*P/C* equals the *value* of this commodity, i.e., if *S*, the surplus-value created in this sphere of production, equals *P*, then the value of the commodity equals its average price. If *C*+*P/C* is smaller than the *value* of the commodity, i.e., if the surplus-value *S*, created in this sphere, is larger than *P*, then the value of the commodity is *reduced* to its average price and part of its surplus-value is added on to the value of other commodities. Finally, if *C*+*P/C* is greater than the *value* of the commodity, i.e., *S* is smaller than *P*, then the *value* of the commodity is raised to its average price and surplus-value created in other spheres of production is added to it.

Finally, should there be commodities which are sold at their value, although their value is greater than *C*+*P/C*, or whose value is at any rate not reduced to such an extent as to bring it down to the level of the normal average price *C*+*P/C*, then certain conditions must be operative, which put these commodities into an exceptional position. In this case the profit realised in these spheres of production stands *above* the general rate of profit. If the capitalist receives the general rate of profit here, the *landlord* can get the excess profit in the form of rent.

[7. Rodbertus's Erroneous Views Regarding the Factors Which Determine the Rate of Profit and the Rate of Rent]

What I call rate of profit and rate of interest or rate of rent, Rodbertus calls

"*Level of Profit on Capital and Interest*" (p. 113).

> This level "depends on their ratio to capital... In all civilised nations a capital of 100 is taken as a unit, which provides the standard measurement for the level to be calculated. Thus, the larger the figure that expresses the relation between the gain or interest falling to the capital of 100, in other words, the 'more per cent' a capital yields, the *higher* are profit and interest" (pp. 113–14).
>
> "The level of *ground-rent and of rental* follows from their proportion to a particular piece of land" (p. 114).

This is bad. The rate of rent is, in the first place, to be calculated on the capital, i.e., as the *excess* of the *price of a commodity* over *its costs of production* and over that part of the *price* which forms the *profit*. Because it helps him to understand certain phenomena Herr Rodbertus makes the caculation with an acre or a morgen, the apparent form of the thing, ||474| in which the intrinsic connection is lost. The rent yielded by an acre is the rental, the absolute amount of rent. *It may rise if the rate of rent remains the same or is even lowered.*

> "The *level of the value of land* follows from the capitalisation of the rent of a particular piece of land, The greater the amount of capital derived from the capitalisation of the rent of a

> piece of land of a given area, the *higher* is the value of the land" (p. 114).

The word "level" is nonsense here. For to what does it express a relationship? That 10 per cent yields more than 20 is obvious; but the unit of measurement here is 100. Altogether the "*level of the value of land*" is the same general phrase as the *high* or *low level* of commodity prices in general.

Herr Rodbertus now wants to investigate:

> "*What then determines the level of capital profit and of ground-rent?*" (p. 115)

[a) Rodbertus's First Thesis]

First of all he examines: What determines "the *level of rent in general*", i.e., what regulates the *rate of surplus-value?*

> "I) With a given value of a product, or a product of a given quantity of labour or, which again amounts to the same thing, with a given national product, the level of rent in *general* bears an inverse relationship to the level of wages and a direct relationship to the level of productivity of labour in general. The lower the wages, the higher the rent; the higher the productivity of labour in general, the lower the wages and the higher the rent" (pp. 115–16).

> The "*level*" of rent—the rate of surplus-value—says Rodbertus, depends upon the "*size* of this portion left over for rent" (p. 117), i.e., after deducting wages from the total product, in which "*that* part of the value of the product which serves as *replacement* of capital...can be disregarded" (p. 117).

This is good (I mean that in this consideration of surplus-value the constant part of capital is "disregarded").

The following is a somewhat peculiar notion:

> "when wages fall, i.e., from now on form a smaller share of the total value of the product, the *aggregate* capital on which the *other part of rent*" <i.e., the industrial profit> "is to be calculated as profit, becomes smaller. Now it is, however, solely the ratio between the value that becomes capital profit or ground-rent, and the capital, or the land area on which it has to he *calculated* as such, which determines the *level* of profit and rent. Thus if wages allow a greater value to be left over for rent, a greater value is to be reckoned as profit and ground-rent, even with a *diminished capital* and the same area of land. The resulting ratio of both increases and, therefore, the two together, or rent in general, has risen... It is assumed that the value of the product remains the same... *Because the wage, which the labour costs, diminishes, the labour, which the product costs, does not necessarily diminish*" (pp. 117–18).

The last bit is good. But it is incorrect to say that when the variable capital that is laid out in wages decreases, the *constant capital* must diminish. In other words, it is not true that the *rate of profit* <the quite inappropriate reference to area of land etc. is omitted here) must rise because the *rate of surplus-value rises*. For instance, wages fall because labour becomes more productive and in all cases this expresses itself in more raw material being worked up by the same worker in the same period of time; this part of constant capital therefore grows, ditto machinery and its value. Hence the rate of profit can fall with the reduction in wages. The *rate of profit* is dependent on the *amount of surplus-value*, which is determined not only by the rate of surplus-value, but also (by] the number of workers employed.

Rodbertus correctly defines the necessary wage as equal to

> "*the amount of necessary subsistence, that is to a fairly stable definite quantity of material products* for a particular country and a particular period" (p. 118).

||475| Herr Rodbertus then puts forward in a most *intricately confused*, complicated and clumsy fashion, the propositions set up by Ricardo on the inverse relationship of profit and wages and the determination of this relationship by the productivity of labour. The confusion arises partly because, instead of taking labour-time as his measure, he foolishly takes *quantities of product* and makes non-sensical differentiations between "*level of the value of the product*" and "*magnitude of the value of the product*".

By "*level of the value of the product*" this stripling means nothing other than the relation of the product to the labour-time. If *the same* amount of labour-time yields many products then the *value of the product*, i.e., the value of separate portions of the product is low, if the reverse, then the reverse. If one working-day yielded 100 lbs. yarn and later 200 lbs. then in the second case the value of the yarn would be half what it was in the first. In the first case its value is $^1/_{100}$ of a working-day; in the second, the value of the lb. of yarn is $^1/_{200}$ of a working-day. Since the worker receives the same amount of product, whether its *value* be *high or low*, i.e., whether it contains more or less labour, wages and profit move inversely, and wages take more or less of the total product, according to the productivity of labour. He expresses this in the following intricate sentences:

> "...if the wage, as necessary subsistence, is a definite quantity of material products, then, if the value of the product is high, the wage must have a high value, if it is low, it must constitute a low value and, since the value of the product

> available for distribution is assumed as constant, the wage will absorb a large part if the value of the product is high, a small part of it, if its value is low and finally, it will therefore leave either a large or a small share of the value of the product for rent. But if one accepts the rule that the value of the product equals the quantity of labour which it cost, then the *level of the value of the product* is again determined *purely by the productivity of labour or the relationship* between the amount of product and the quantity of labour which is used for its production…if the same quantity of labour brings forth more product, in other words, if productivity increases, then the same quantity of product contains less labour and conversely, if the same quantity of labour brings forth less product, in other words, if productivity decreases, then the same quantity of product contains more labour. But the *quantity of labour* determines the *value of the product* and the *relative value of a particular quantity of product* determines the *level* of *the value of the product*… Hence "*the higher the productivity of labour in general, the higher*" must "be rent in general" (pp. 119–20).

But this is only correct if the product, for whose production the worker is employed, belongs to that species which—according to tradition or necessity—figures in his consumption as a means of subsistence. If this is not the case, then the productivity of this labour has no effect on the relative height of wages and of profit, or on the *amount of surplus-value* in general. *The same share in the value* of the total product falls to the worker as wages, irrespective of the number of products or the quantity of the product in which this share is expressed. The *division of the value* of the product in this case is not altered by any change in the productivity of labour.

[b) Rodbertus's Second Thesis]

> "II) If with a given value of the product, the level of rent in general is given, then the level of ground-rent and of capital profit, bear an inverse relationship to one another, and also to the productivity of extractive labour and manufacturing labour respectively. The higher or lower the rent, the lower or higher the capital profit and vice versa; the higher or lower the productivity of extractive labour or of manufacturing labour, the lower or higher the rent or capital profit, and alternately also the higher or lower is the capital profit or rent" (p. 116).

First ([in thesis] I) we had the Ricardian (law] that wages and profit are related *inversely*.

Now the second Ricardian [law]—differently evolved or, rather, "made involved"— that profit and rent have an inverse relation.

It is obvious, that when a *given surplus-value* is divided between capitalist and landowner, then the larger the share of one, the smaller will be that of the other and vice versa. But Herr Rodbertus adds something of his own which requires closer examination.

In the first place, Herr Rodbertus regards it as a new discovery that *surplus-value in general* ("the *value* of the product of labour which is in fact available for sharing out as rent">, the entire *surplus-value* filched by the capitalist, "consists of the value of the raw product+the value of the manufactured product" (p. 120).

Herr Rodbertus first reiterates his "discovery" of the absence of "the value of the material" in ||476| agriculture. This time in the following flood of words:

> "That portion of rent which accrues to the manufactured product and determines the rate

> of capital profit is reckoned as profit not only on the capital which is actually used for the production of this product but also on the whole of the raw product value which figures as *value* of the *material* in the capital fund of the manufacturer. On the other hand, as regards that portion of rent which accrues to the raw product and *from which the profit on the capital used in raw material production* is calculated *according to the given rate of profit in manufacture*" (yes! *given* rate of profit!) "leaving a remainder for ground-rent, such a material value is missing" (p. 121).

We repeat: quod non!

Assume that a *ground-rent exists*—which Herr Rodbertus has *not proved* and cannot prove by his method—that is to say, a certain portion of the surplus-value of the raw product falls to the landlord.

Further assume that: "the level of rent in general" (the *rate of surplus-value*) "in a particular value of the product is also given" (p. 121). This amounts to the following: For instance, in a commodity of £ 100, say half, £ 50, is unpaid labour; this then forms the fund from which all categories of surplus-value, rent, profit etc. are paid. Then it is quite evident that one shareholder in the £ 50 will draw the more, the less is drawn by the other and vice versa, or that profit and rent are inversely proportional. Now the question is, what determines the apportionment between the two?

In any case it remains true that the revenue of the manufacturer (be he agriculturist or industrialist) equals the surplus-value which he draws from the sale of his manufactured product (which he has pilfered from the workers in his sphere of production), and that rent of land (where it does not, as with the *waterfall* which is sold to the industrialist, stem directly from the *manufactured product*, which is also the case with rent for *houses* etc., since houses can hardly be termed *raw product*) only

arises from the excess profit (that part of surplus-value which does not enter into the general rate of profit) which is contained in the raw products and which the farmer pays over to the landlord.

It is quite true that when the value of the raw product rises [or falls], the rate of profit in those branches of industry which use raw material will rise or fall inversely to the value of the raw product. As I showed in a previous example, if the value of cotton doubles, then with a given wage and a given rate of surplus-value, the rate of profit will fall. The same applies however to agriculture. If the harvest is poor and production is to be continued on the same scale (we assume here that the commodities are sold at their *value*) then a greater part of the total product or of its value would have to be returned to the soil and after deducting wages, if these remain stationary, the farmer's surplus-value would consist of a smaller quantity of product, hence also a smaller quantity of value would be available for sharing out between him and the landlord. Although the individual product would have a higher value than before, not only the amount of product, but also the remaining *portion of value* would be smaller. It would be a different matter if, as a result of demand, the product rose *above* its value, and to such an extent that a smaller quantity of product had a higher *price* than a larger quantity of product did before. But this would be *contrary* to our stipulation that the products are sold at their value.

Let us assume the opposite. Supposing he cotton harvest is twice as rich and that that part of it which is returned direct to the soil, for instance as fertiliser and seed, costs less than before. In this case the portion of value which is left for the cotton-grower after deduction of wages is greater than before. The rate of profit would rise here just as in the cotton industry. True, in one yard of calico, the proportion of value formed by the raw product would now be smaller than before and [that]

formed by the manufacturing process would be larger. Assume that calico costs 2s. a yard when the value of the cotton it contains is 1s. Now if cotton goes down from 1s. to 6d., (which, on the assumption that its *value* equals its price, is only possible because its cultivation has become more productive) then the value of a yard of calico is 18d. It has decreased by a quarter which is 25 per cent. But where the cotton-grower previously sold 100 lbs. at is., he is now supposed to sell 200 at 6d. Previously the value [was] 100s.; now too it is 100s. Although previously cotton formed a greater proportion of the value of the product—and the rate of surplus-value in cotton growing itself decreased simultaneously—the cotton-grower obtained only 50 yds. of calico for his 100s. cotton at 1s. per lb.; now that the lb. [is sold] at 6d., he receives 66 $^{2}/_{3}$ yds, for his 100s.

On the assumption that the commodities are sold at their *value*, it is wrong to say that the revenue of the producers who take part in the production of the product is *necessarily* dependent on the portion of value ||477| represented by their products in the *total value* of the product.

Let the value of the total product of all manufactured commodities, including machinery, be £ 300 in one branch, 900 in another and 1,800 in a third.

If it is true to say that the proportion in which the value of the whole product is divided between the value of the raw product and the value of the manufactured product determines the proportion in which the surplus-value—the rent, as Rodbertus says—is divided into profit and ground-rent, then this must also be true of different products in different spheres of production where raw material and manufactured products participate in varying proportions.

Suppose out of a value of £ 900, manufactured product accounts for £ 300 and raw material for £ 600, and that £ 1 equals 1 working-day. Furthermore, the *rate of surplus-value* is given as, say, 2 hours on 10, with a normal working-day of 12 hours, then the £ 300 [manufactured product] embodies 300 working-days, and the £ 600 [raw product] twice as much, i.e., 2×300. The amount of surplus-value in the one is 600 hours, in the other 1,200. This only means that, given the rate of surplus-value, its *volume* depends on the number of workers or the number of workers employed simultaneously. Furthermore, since it has been *assumed* (not proved) that of the surplus-value which enters into the value of the agricultural product a portion falls to the landlord as rent, it would follow that in fact the *amount of ground-rent* grows in the same proportion as the value of the agricultural product compared with the "manufactured product" .

In the above example the ratio of the agricultural product to the manufactured product is as 2:1, i.e., 600:300. Suppose [in another case] it is as 300:600. Since the rent depends on the surplus-value contained in the agricultural product, it is clear that if this [amounts to] 1,200 hours in the first case as against 600 in the second, and if the rent constitutes a *certain* part of this surplus-value, it must be greater in the first case than in the second. Or—the *larger the portion of value* which the agricultural product forms in the value of the total product, the larger will be its share in the *surplus-value of the whole product*, for every portion of the value of the product contains a certain portion of surplus-value and the larger the *share in the surplus-value of the whole product* which falls to the agricultural product, the larger will be the rent, since *rent* represents a definite proportion of the *surplus-value* of the agricultural product.

Let the rent be one-tenth of the agricultural surplus-value, then it is 120 [hours] if the value of the agricultural product is £ 600 out of the £ 900 and only 60 [hours] if it is £ 300. According to this, the *volume* of rent would in fact alter with the amount of the value of the agricultural product, hence also with the relative value of the agricultural product *in relation* to the manufactured product. But the "*level*" of the rent and of the profit—their rates—would have *absolutely nothing to do with it whatsoever*. In the first case the value of the product is £ 900 of which £ 300 is manufactured product and £ 600 agricultural product. Of this, 600 hours surplus-value accrue to the manufactured product and 1,200 to the agricultural product. Altogether 1,800 hours. Of these, 120 go to rent and 1,680 to profit. In the second case the value of the product is £ 900, of which £ 600 is manufactured product and £ 300 agricultural product. Thus 1,200 [hours] surplus-value for manufacture and 600 for agriculture. Altogether 1,800. Of this 60 go to rent and 1,200 to profit for manufacture and 540 for agriculture. Altogether 1,740. In the second case, the manufactured product is twice as great as the agricultural product (in terms of value). In the first case the position is reversed. In the second case the rent is 60, in the first it is 120. It has simply grown in the same proportion as the value of the agricultural product. As the volume of the latter increased so the volume of the rent increased. If we consider the total surplus-value, 1,800, then in the first case the rent is $^{1}/_{15}$ and in the second it is $^{1}/_{30}$.

If here with the increased *portion of value* that falls to agricultural product the *volume of rent* also rises and *with this, its volume*, increases its *proportional share in the total surplus-value*—i.e., the rate at which surplus-value accrues to rent also rises compared to that at which it accrues to profit—then this is only so, *because* Rodbertus assumes that rent participates *in*

the surplus-value of the agricultural product in a definite proportion. Indeed this must be so, if this fact is *given* or *presupposed*. But the fact itself by no means follows from the rubbish which Rodbertus pours forth about the "value of the material" and which I have already cited above *at the beginning of page* 476.

But the *level* of the rent does not rise *in proportion to* the [surplus-value in the] product in which it participates, because now, as before, this [proportion is] one-tenth; its *volume* grows because the *product grows*, and because it grows in volume, without a rise in its "level", its "level" rises in comparison with the quantity of profit or the share of profit in the ||4781 value of the total product. Because it is *presupposed* that a greater part of the value of the total product yields *rent*, i.e., a greater part of *surplus-value* is turned into rent, that part of surplus-value which is converted into rent is of course greater. This has absolutely nothing to do with the "value of the material", But that a

> "*greater* rent" at the same time represents a "*higher* rent", "because the area or number of acres on which it is calculated remains the same and hence a greater amount of value falls to the individual acre" (p. 122)

is ridiculous. It amounts to measuring the "level" of rent by a "standard of measurement" that obviates the difficulties of the problem itself.

Since we do not know as yet what rent is, had we put the above example differently and had left the same *rate of profit* for the agricultural product as for the manufactured product, only adding on one-tenth for rent, which is really necessary since *the same* rate of profit is assumed, then the whole business would look different and become clearer.

	Manufactured product	Agricultural product	
I	£600 [7,200 hours]	£300 [3,600 hours]	1,200 [hours] surplus-value for manufacture, 600 for agriculture and 60 for rent. Altogether 1,860 [hours; of these] 1,800 for profit.
II	£300 [3,600 hours]	£600 [7,200 hours]	600 [hours] surplus-value for manufacture, 1,200 for agriculture and 120 for rent. Altogether 1,920 [hours; of these] 1,800 for profit.

In case II the rent is twice that in I because the agricultural product, the share of the value of the product on which it sponges, has grown in proportion to the industrial product. The volume of profit remains the same in both cases, i.e., 1,800. In the first case (the rent] is $^{1}/_{31}$ of the total surplus-value, in the second case it is $^{1}/_{16}$

If Rodbertus wants to charge the "value of the material" exclusively to industry, then above all, it should have been his duty to burden agriculture alone with that part of constant capital which consists of machinery, etc. This part of capital enters into agriculture as a product supplied to it by industry— as a "manufactured product", which forms the means of production for the "raw product".

Since we are dealing here with an account between two firms, so far as industry is concerned, that part of the value of the machinery which consists of "raw material" is already *debited* to it under the heading of "raw material" or "value of the material". We cannot therefore book this twice over. The other *portion of value of the machinery* used in manufacture, consists of added "manufacturing labour" (past and present) and this

resolves into wages and profit (paid and unpaid labour). That part of capital which has been advanced here (apart from that contained in the raw material of the machines) therefore consists *only* of wages. Hence it increases not only the amount of capital advanced, but also the profit, the volume of surplus-value to be calculated upon this capital.

(The error usually made in such calculations is that, for instance, the wear and tear of the machinery or of the tools used is embodied in the machine itself, in its value and although, in the last analysis, this wear and tear can be reduced to *labour*— either labour contained in the raw material or that which transformed the raw material into machine, etc.—this *past labour* never again enters into profit or wages, but only acts as a produced condition of production (in so far as the necessary labour-time for reproduction does not alter) which, whatever its use-value in the labour-process, only figures as value of constant capital, in the process of creating surplus-value. This is of great importance and has already been explained in the course of my examination of the exchange of constant capital and revenue. But apart from this, it needs to be further developed in the section on the accumulation of capital.)

So far as agriculture is concerned—that is, purely the production of raw products or so-called primary production—in *balancing the accounts between the firms "primary production" and "manufacture*" that part of the value of constant capital which represents machinery, tools, etc., can on no account be regarded in any other way than as an item which enters into agricultural capital without increasing its *surplus-value*. If, as a result of the employment of machinery etc., agricultural labour becomes more productive, the higher the price of this machinery etc., the smaller will be the increase in productivity. It is the use-value of the machinery and not its *value* which increases the productivity of agricultural

labour or of any other sort of labour. Otherwise one might also say that the productivity of industrial labour is, in the first place, due to the presence of raw material and its properties. But again it is the use-value of the raw material, not its value, which constitutes a condition of production for industry. Its value, on the contrary, is a drawback. Thus what Herr Rodbertus says about the "value of the material" in respect to the industrial capital, is literally, ||479| *mutatis mutandis* valid for machinery etc.

> "For instance the *labour costs* of a particular product, such as w h e a t or cotton, cannot be affected by the labour costs of t h e p l o u g h o r g i n a s m a c h i n e s" (or the labour costs of a drainage canal or stable buildings). "On the other hand, the value of the m a c h i n e or the m a c h i n e v a l u e does figure in the amount of capital on which the owner has to calculate his gain, the rent that falls to the r a w p r o d u c t." (Cf. Rodbertus, p. 97.)

In other words: That portion of the value of wheat and cotton representing the value of the wear and tear of the plough or gin, is not the result of the work of ploughing or of separating the cotton fibre from its seed, but the result of the labour which manufactured the plough and the gin. This component part of value goes into the agricultural product without being produced in agriculture. It only passes through agriculture, which uses it merely to replace ploughs and gins by buying new ones from the maker of machines.

The machines, tools, buildings and other manufactured products required in agriculture consist of two component parts : 1. the raw materials of these manufactured products [2. the labour added to the raw materials.] Although these raw materials are the product of agriculture, they are a part of its product which never enters into wages or into profit. Even if there were no capitalist, the farmer still could not chalk up this part of

his product as wages for himself. He would in fact have to hand it over *gratis* to the machine manufacturer so that the latter would make him a machine from it and besides he would have to pay for the labour which is added to this raw material (equal to wages plus profit). This happens in reality. The machine maker buys the raw material but in purchasing the machine, agricultural producer must buy back the raw material. It is just as if he had not sold it at all, but had lent it to the machine maker to give it the form of the machine. Thus that portion of the value of the machinery employed *in agriculture* which resolves into raw material, although it is the product of agricultural labour and forms part of its value, belongs to production and not to the producer, it therefore figures in his expenses, like seed. The other part, however, represents the manufacturing labour embodied in the machinery and is a "product of manufacture" which enters into agriculture as a means of production, just as raw material enters as a means of production into industry.

Thus, if it is true that the firm "primary production" supplies the firm "manufacturing industry" with the "value of the material" which enters as an item into the capital of the industrialist, then it is no less true that the firm "manufacturing industry" supplies the firm "primary production" with the value of the machinery which enters wholly (*including that part which consists of raw material*) into the farmer's capital without this "component part of value" yielding him any surplus-value. This circumstance is a reason why the rate of profit *appears to be* smaller in "high agriculture", as the English call it, than in primitive agriculture, although the rate of surplus-value is greater.

At the same time this supplies Herr Rodbertus with striking proof of how irrelevant it is to the nature of a *capital advance*, whether that portion of the product which is laid out in constant capital is replaced in kind

and therefore only accounted for as a commodity—as money value—or whether it has really been alienated and has gone through the process of purchase and sale. Supposing the producer of raw materials handed over gratis to the machine builder the iron, copper, wood etc., embodied in his machine, so that the machine builder in selling him the machine would charge him for the added labour and the wear and tear of his own machine, then this machine would cost the agriculturist just as much as it costs him now and the same *component part of value* would figure as constant capital, as an advance, in his production. Just as it amounts to the same thing whether a farmer sells the whole of his harvest and buys seed from elsewhere with that portion of its value which rep-resents seed (raw material) perhaps to effect a desirable change in the type of seed and to prevent degeneration by inbreeding— or whether he deducts this component part of value directly from his product and returns it to the soil.

But in order to arrive at his results, Herr Rodbertus misinterprets that part of constant capital which consists of machinery.

A second aspect that has to be examined in connection with [case] II of Herr Rodbertus is this: He speaks of the manufactured and agricultural products which make up the *revenue*, which is something quite different from those manufactured and agricultural products which make up the *total annual product*. Now supposing it were correct to say of the latter that after deducting the whole of that part of the agricultural capital which consists of machinery etc. ||480| and that part of the agricultural product which is returned direct to agricultural production, the proportion in which the *surplus-value* is distributed between farmer and manufacturer—and therefore also the proportion in which the surplus-value accruing to the farmer is distributed between himself and the landlord—must be

determined by the share of manufacture and of agriculture in the total value of the products; then it is still highly questionable whether this is correct if we are speaking of those products which form the *common fund of revenue*. Revenue (we exclude here that part which is reconverted into *new* capital) consists of products which go into individual consumption and the question is, how much do the capitalists, farmers and landlords draw out of this pot. Is this quota determined by the share of manufacture and raw production in the *value* of the product that constitutes revenue? Or by the quotas in which the value of the total revenue is divisible into agricultural labour and manufacturing labour?

The mass of products which make up revenue, as I have demonstrated earlier, does not contain any products that enter into production as instruments of labour (machinery), auxiliary material, semi-finished goods and the raw material of semi-finished goods, which form a part of the annual product of labour. Not only the *constant capital* of primary production is excluded but also the constant capital of the machine makers and the entire constant capital of the farmer and the capitalist which does *not* enter into the process of the creation of value though it enters into the labour-process. Furthermore, it excludes not only constant capital, but also the part of the unconsumable products that represents the *revenue* of their producers and enters into the capital of the producers of products consumable as revenue, for the replacement of their used up constant capital.

The *mass of products* on which the revenue is spent and which in fact represents that part of wealth which constitutes revenue, in terms of both *use-value* and *exchange-value*—this mass of products can, as I have demonstrated earlier, be regarded as consisting only of *newly-added* (during the year) *labour*. Hence it can be resolved only into revenue, i.e., wages and profit

(which again splits up into *profit, rent, taxes*, etc.), since not a single particle of it contains any of the value of the raw material which goes into production or of the wear and tear of the machinery which goes into production, in a word, it contains none of the value of the means of production. Leaving aside the derivative forms of revenue because they merely show that the owner of the revenue relinquishes his proportional share of the said products to another, be it for services etc. or debt etc.—let us consider this revenue and assume that wages form a third of it, profit a third and rent a third and that the value of the product is £ 90. Then each will be able to draw the equivalent of £ 30 worth of products from the whole amount.

Since the amount of products which forms the revenue consists only of *newly-added* (i.e., added during the year) labour, it seems very simple that if the product contains two-thirds agricultural labour and one-third manufacturing labour, then manufacturers and agriculturists will share the value in this proportion. One-third of the value would fall to the manufacturers and two-thirds to the agriculturists and the proportional amount of the surplus-value realised in manufacture and agriculture (the same rate of surplus-value is assumed in both) would correspond to these shares of manufacture and agriculture in the value of the total product. But rent again [would] grow in proportion to the farmer's volume of profit since it sits on it like a parasite. And yet this is wrong. Because a part of the value which consists of agricultural labour forms the *revenue* of the manufacturers of that fixed capital etc., which replaces the fixed capital worn out in agriculture. Thus the ratio between agricultural labour and manufacturing labour in the *component parts of value of those products which constitute the revenue*, in no way indicates the *ratio* in which the value of this mass of products or this mass of products itself is distributed

between the manufacturers and the farmers, neither does it indicate the *ratio* in which manufacture and agriculture participate in total production.

Rodbertus goes on to say:

> "But again it is only the productivity of labour in primary production or manufacture, which determines the relative level of the value of the primary product and manufactured product or their respective shares in the value of the total product. The value of the primary product will be the higher, the lower the productivity of labour in primary production and vice versa. In the same way, the value of the manufactured product will be the higher, the lower the productivity in manufacture and vice versa. Since a high value of the raw product effects a high ground-rent and low capital gain, and a high value of the manufactured product effects a high capital gain and low ground-rent, if the level of rent in general is given, the level of ground-rent and of capital gain must not only bear an inverse relationship to one another, but also to the productivity of their respective labour, that in primary production and that in manufacture" (p. 123).

If the productivity of two *different* spheres of production is to be compared, this can only be done relatively. In other words, one starts at any arbitrary point, for instance, when the values of hemp and linen, i.e., the correlative quantities of labour-time embodied in them, are as 1:3. If this ratio alters, then it is correct to say that the' productivity of these different types of labour has altered. But it is wrong to say that because the labour-time required for the production of an ounce of gold ||481| equals three and that for a ton of iron also equals three, gold production is "less productive" than iron production.

The relative value of two commodities shows that the one costs more labour-time than the other; but one

cannot say that because of this one branch is "more productive" than the other. This would only be correct if the labour-time were used for the production of *the same* use-values in both instances.

It would be entirely wrong to say that manufacture is three times as productive as agriculture if the value of the raw product is to that of the manufactured product as 3:1. Only if the ratio changes say to 4:1 or 3:2 or 2:1, i.e., when it *rises* or falls, could one say that the relative productivity in the two branches has altered.

[c) Rodbertus's Third Thesis]

> III) "The *level of capital gain* is solely determined by the *level of the value of the product* in general and by the level of the value of the raw product and the manufactured product in particular; or by the productivity of labour in general and by the productivity of labour employed in the production of raw materials and of manufactured goods in particular. The *level* of ground-rent is, apart from this, also dependent on the *magnitude of the value of the product* or the *quantity of labour, or productive power*, which, with a *given state of productivity*, is used for production" (pp. 116–17).

In other words: The *rate of profit* depends solely on the *rate of surplus-value* and this is determined solely by the *productivity of labour*. On the other hand, given the productivity of labour, the *rate of ground-rent* also depends on the *amount* of labour (the number of workers) employed.

This assertion contains almost as many falsehoods as words. *Firstly* the *rate of profit is* by no means solely determined by the *rate of surplus-value*. But more about this shortly. First of all, it is wrong to say that the *rate of*

surplus-value depends solely on the productivity of labour. *Given the productivity* of labour, the rate of surplus-value alters according to the *length of the surplus labour-time*. Hence the rate of surplus-value depends not only on the productivity of labour but also on the *quantity* of labour employed because the quantity of *unpaid* labour can grow (while productivity remains constant) without the quantity of *paid* labour, i.e., that part of capital laid out in wages, growing. Surplus-value—absolute or relative (and Rodbertus only knows the latter from Ricardo)—cannot exist unless labour is at least sufficiently productive to leave over some sur-plus labour-time apart from that required for the worker s own reproduction. But assuming this to be the case, *with a given minimum productivity*, then the rate of surplus-value alters according to the length of surplus labour-time.

Firstly, therefore, it is *wrong* to say that because the rate of surplus-value is solely determined by the productivity of the labour exploited by capital, the rate of profit or the "*level* of capital gain" is so determined. *Secondly:* The *rate of surplus-value—which*, if the productivity of labour is given, alters with the *length* of the working-day and, with a given normal working-day, alters with the *productivity of labour—is* assumed to be *given*. *Surplus-value* itself will then vary according to the *number* of workers from whose every working-day a certain quantity of surplus-value is extorted, or according to the *volume of* variable capital expended on wages. The *rate of profit*, on the other hand, depends on the *ratio of this surplus-value* [to] the variable capital plus the constant capital. If the *rate of surplus-value* is *given*, the *amount of surplus-value* does indeed depend on the amount of variable capital, but the *level of profit*, the *rate of profit*, depends on the ratio of this surplus-value to the total capital advanced. In this case the rate of profit will thus be determined by the price

of the raw material (if such exists in this branch of industry) and the value of machinery of a particular efficiency.

Hence what Rodbertus says is fundamentally wrong:

> "Thus, as the amount of capital gain increases consequent upon the increase in product value, so also in the same proportion increases the amount of capital value on which the gain has to be reckoned, and the hitherto existing ratio between gain and capital is not altered at all by this increase in capital gain" (p. 125).

This is only valid if it [signifies] the *tautology* that: *given the rate of profit* <very different from the rate of surplus-value and surplus-value itself.>, *the amount of capital employed is immaterial*, precisely because the rate of profit is assumed to be *constant*. But as a rule the rate of profit can increase although the *productivity* of labour remains *constant*, or it can *fall* even though the productivity of labour rises and rises moreover in every department.

And now again the silly remark <pp. 125–26> about ground-rent, the assertion that the mere increase of rent raises its rate, because in every country' it is calculated on the basis of an "unalterable number of acres" (p. 126). If the volume of profit grows (given the rate of profit), then the *amount* of capital from which it is drawn, grows. On the other hand, if rent increases, then [according to Rodbertus] only one factor changes, namely rent itself, while its standard of measurement, "the number of acres", remains unalterably fixed.

||482| "Hence rent can rise for a reason which enters into the economic development of society everywhere, namely the increase in labour used for production, in other words, the increasing *population*. This does not necessarily have to he followed by a *rise* in the raw

product value since the drawing of rent from a *greater quantity* of primary product must already have this effect" (p. 127).

On p.128, Rodbertus makes the strange discovery that even if the value of the raw product fell *below* its normal level, causing rent to disappear completely, it would be impossible

> "*for capital gain ever to amount to 100 per cent*" (i.e., if the commodity is sold at its value) "however high it may be, it must always amount to considerably less" (p. 128).

And why?

> "Because it" (the capital gain) "is merely the result of the division of the value of the product. It must, accordingly, always he a *fraction* of this unit" (pp. 127–28).

This, Herr Rodbertus, depends entirely upon the nature of *your* calculation.

Let the constant capital advanced be 100, the wages advanced 50 and let the product of labour over and above this 50 be 150. We would then have the following calculation:

Constant capital	Variable capital	Surplus-value	value	cost of production	Profit	Per cent
100	50	150	300	150	150	100

The only requirement to produce this situation is that the worker should work for his master three quarters of his working-day, it is therefore assumed that one quarter of his labour-time suffices for his own reproduction. Of course, if Herr Rodbertus takes the total value of the product, which equals 300, and does not consider the excess it contains over the costs of production, but says that this *product* is to be divided between the capitalist and the worker, then in fact the capitalist's portion can

only amount to a part of this product, even if it came to $^{999}/_{1,000}$. But the calculation is incorrect, or at least useless in almost every respect. If a person lays out 150 and makes 300 he is not in the habit of saying that he has made a profit of 50 per cent on the basis of reckoning the 150 on 300 instead of 150.

Assume, in the above example, that the worker has worked 12 hours, 3 for himself and 9 for the capitalist. Now let him work 15 hours, i.e., 3 for himself and 12 for the capitalist. Then, according to the former production ratio, an outlay of 25 on constant capital would have to be added (less in fact, because the outlay on machinery would not grow to the same degree as the quantity of labour). Thus:

Constant capital	Variable capital	Surplus-value	value	cost of production	Profit	Per cent
125	50	200	375	175	200	$114^{2}/_{7}$

Then Rodbertus comes up again with the growth of "*rent to infinity*", firstly because he interprets its mere increase in volume as a rise, and therefore speaks of its rise when the same rate of rent is paid on a larger amount of product. Secondly because he calculates on "an acre" as his standard of measurement. Two things which have nothing in common.

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The following points can be dealt with quite briefly, since they have nothing to do with my purpose.

The "*value of land*" is the "*capitalised ground-rent*". Hence this, its expression in terms of money, depends on the level of the prevailing rate of interest. Capitalised at 4 per cent, it would have to be multiplied by 25 (since 4 per cent is $^{1}/_{25}$ of 100); at 5 per

cent by 20 (since 5 per cent is $^{1}/_{20}$ of 100). This would amount to a difference in land value of 20 per cent (p. 131). Even with a fall in the value of money, *ground-rent* and hence *the value of land* would rise nominally, since—unlike the increase in interest or profit (expressed in money) —the monetary expression of capital does not rise evenly. The rent, however, which has risen in terms of money has to be related "to the unchanged number of acres of the piece of land" (p. 132).

Herr Rodbertus sums up his wisdom as applied to Europe in this way:

> 1. "...with the European nations, the productivity of labour in general—labour employed in primary production and manufacturing—has risen...as a result of which, the part of the national product used for wages has diminished, the part left over for rent has increased...so *rent in general has risen*" (pp. 138–39).
>
> 2. "...the increase in productivity is *relatively greater* in manufacture than in primary production ... an equal value of national product will therefore at present yield a larger rent share to the raw product than to the manufactured product. Therefore notwithstanding the rise in rent in general, in fact only *ground-rent has risen while capital gain has fallen*" (p. 139).

Here Herr Rodbertus, just like Ricardo, explains the rise of rent and the fall of the rate of profit one by the other; the fall of one is equal to the rise of the other and the rise of the latter is explained by the *relative unproductiveness* ||483| *of agriculture*. Indeed, Ricardo says somewhere quite expressly that it is not a matter of absolute but of "relative" unproductiveness. But even if he had said the opposite, it would not comply with the principle he establishes since *Anderson*, the original author of the Ricardian concept, expressly declares that every piece of land is capable of absolute improvement.

If “surplus-value” (profit and rent) in general has risen then it is not merely possible that the rate of the total rent has fallen in proportion to constant capital, but it will have fallen because productivity has risen. Although the number of workers employed has grown, as has the rate at which they are exploited, the amount of capital expended on wages as a whole has fallen *relatively*, although it has risen absolutely; because the capital which as an advance—a product of the past—is set in motion by these workers and as a *prerequisite* of production forms an ever growing share of the total capital. Hence the rate of profit and rent taken together has fallen, although not only its volume (its absolute amount) has grown, but also the rate at which labour is being exploited has risen. This Herr Rodbertus cannot see, because for him constant capital is an invention of industry of which agriculture is ignorant.

But so far as the *relative* magnitude of profit and rent is concerned, it does not by any means follow that, because agriculture is relatively less productive than industry, the *rate of profit* has fallen absolutely. If, for instance, its relationship to rent was as 2:3 and is now as 1:3, then whereas previously it formed two-thirds of rent, it now forms only one-third, or previously [profit] formed two-fifths of the total surplus-value and now only a quarter, [or] previously $^{8}/_{20}$ and now only $^{5}/_{20}$; it would have fallen by $^{3}/_{20}$ or [by] 15 per cent.

Assume that the value of 1 lb. of cotton was 2s. It falls to 1s. 100 workers who previously span 100 lbs. in one day, now spin 300.

Previously, the outlay for 300 lbs. amounted to 600s.; now it is only 300s. Further, assume that in both cases machinery equals $^{1}/_{10}$, or 60s. Finally, previously 300 lbs. cost 300s. as an outlay for 300 workers, now only l00s. for 100 [workers]. Since the productivity of the workers “has increased”, and we must suppose that they are paid

here in their own product, assume that whereas previously the surplus-value was 20 per cent of wages, it is now 40.

Thus the cost of the 300 lbs. is:

> in the first case:
>
> Raw material 600, machinery 60, wages 300, surplus-value 60, altogether 1,020s.
>
> in the second case:
>
> Raw material 300, machinery 60, wages 100, surplus-value 40, altogether 500s.

In the first case: The costs of production 960, *profit* 60, *rate of profit* 6 $^{1}/_{4}$ [per cent].

In the second case: [The costs of production] 460, *profit* 40, *rate of profit* 8 $^{16}/_{23}$ [per cent].

Suppose the rent is a third of 1 lb., then in the first case it equals 200s., i.e., £10; in the second it is 100s. or £5. The rent has fallen here because the raw product has become cheaper by 50 per cent. But the whole of the product has become cheaper by more than 50 per cent. The industrial labour added in I [is to the value of the raw material] as 300 : 600 = 6 : 10 = 1 : 1 $^{2}/_{3}$; in II, as 140 : 300 = 1 : 2 $^{1}/_{7}$. Industrial labour has become relatively more productive than agricultural labour; yet in the first case the rate of profit is lower and the rent higher than in the second. In both cases rent amounts to one-third of raw materials.

Assume that the amount of raw materials in II doubles so that 600 lbs. are spun and the ratio would be:

II. 600 lbs. [cotton] = 600s. raw material, 120s. machinery, 200s. wages, 80s. surplus-value. Altogether 920s. production costs, 80s. profit, rate of profit 8 $^{16}/_{23}$ per cent.

The rate of profit [has] risen compared with I. Rent would be just the same as in I. The 600 lbs. would cost only 1,000, whereas before they cost 2,040.

||484| It does not by any means follow from the relative dearness of the agricultural product that it yields a [higher] rent. However, if one assumes—as Rodbertus can be said to assume, since his so-called proof is absurd—that rent clings as a percentage on to every particle of value of the agricultural product, then indeed it follows that rent rises with the increasing dearness of agricultural produce.

> "...as a result of the increased population, the value of the total national product has also grown to an extraordinary extent ... today, therefore, the nation draws *more* wages, *more* profit, *more* ground-rent ... furthermore, this *increased* amount of ground-rent has raised it, whereas the *increased* amount of wages and profit could not have a similar effect" (p. 139).

[8. The Kernel of Truth in the Law Distorted by Rodbertus]

Let us strip Herr Rodbertus of all nonsense (not to speak of such defective conceptions as I have detailed more fully above, for instance that the rate of surplus-value ("*level of rent*") can only rise when *labour* becomes *more productive*, i.e., the *overlooking* of *absolute surplus-value*, etc.);

namely the absurd conception that the "*value of the material*" does not form part of the expenditure in (capitalist) agriculture in the strict sense.

The *second* piece of nonsense: that he does not regard the *machinery* etc., the second part of the constant capital of agriculture and manufacture, as a "component part of value", which—just as the "value of the material"—does not arise from the labour of the sphere of production into which it enters as machinery, and upon which the profit made in each sphere of production is also calculated, even though the *value* of the machinery does not add a farthing to the profit, as little as the "value" of the material although both are means of production and as such enter into the labour process.

The *third* piece of nonsense: that he does not charge to agriculture the *entire* "value" of the "machinery" etc. which enters into it as an item of expenditure and that he does not regard that element of it which does not consist of raw material as a debit of agriculture to industry, which does not therefore belong to the expenditure of industry as a whole and in payment for which, a part of the raw material of agriculture must be supplied *gratis* to industry.

The *fourth* piece of nonsense : his belief that in addition to machinery and its auxiliary materials the "value of the material" enters into all branches of industry, whereas this is not the case in the entire transport industry any more than it is in the extractive industry.

The *fifth* piece of nonsense: that he does not see that although, besides variable capital, "raw material" does enter into many branches of manufacture (and this the more they supply finished produce for consumption) the other component part of constant capital disappears almost completely or is very small, incomparably smaller than in large-scale industry or agriculture.

The *sixth* piece of nonsense: that he confuses the average prices of commodities with their values.

Stripped of all this, which has allowed him to derive *his* explanation of rent from the farmer's *wrong calculation* and his own wrong calculation, so that rent would have to disappear to the extent to which the farmer *accurately calculates* the *outlay* he makes, then only the following assertion remains as the real kernel:

When the raw products are sold at their *values*, their value stands above the *average prices* of the other commodities or above their *own average price*, this means their value is greater than the costs of production plus average profit, thus leaving an *excess profit* which constitutes *rent*. Furthermore, assuming the same *rate* of surplus-value, this means that the ratio of variable capital to constant capital is greater in primary production than it is, on an average, in those spheres of production which belong to industry (which does not prevent it from being higher in some branches of industry than it is in agriculture). Or, putting it into even more general terms: agriculture belongs to that class of industries, whose variable capital is greater proportionately to constant capital than in industry, on an average. Hence its surplus-value, calculated on its costs of production, must be higher than the average in the industrial spheres. Which means again, that its *particular* rate of profit stands above the *average rate of profit* or the *general rate of profit*. Which means again: when the rate of surplus-value is the same and the surplus-value itself is given, then the particular rate of profit in each sphere of production depends on the proportion of variable capital to constant capital in that particular sphere.

This would therefore only be an application of the law developed by me in a *general* form to a particular branch of industry.

||485| Consequently:

1. One has to prove that agriculture belongs to those particular spheres of production whose *commodity values* are above their *average prices*, whose profit, so long as they appropriate it themselves and do not hand it over for the equalisation of the general rate of profit, thus stands above the *average profit*, yielding them, therefore, in addition to this, an *excess profit*. This point 1 appears certain to apply to agriculture on an average, because manual labour is still relatively dominant in it and it is characteristic of the bourgeois mode of production to develop manufacture more rapidly than agriculture. This is, however, a *historical* difference which can disappear. At the same time this implies that, on the whole, the means of production supplied by industry to agriculture fall in value, while the raw material which agriculture supplies to industry generally rises in value, the constant capital in a large part of manufacture has consequently a proportionately greater value than that in agriculture. In the main, this will probably not apply to the extractive industry.

2. It is wrong to say, as Rodbertus does: If—according to the general law—the agricultural product is sold on an average at its *value* then it must yield an excess profit, *alias* rent; as though this selling of the commodity at its *value, above* its average price, were the general law of capitalist production. *On the contrary*, it must be shown why in primary production—by *way of exception* and *in contrast to* the *class of industrial products whose value similarly* stands *a b o v e their average price—the* values are *not* reduced to the average prices and therefore yield an excess profit, *alias* rent. This is to be explained simply by *property in land*. The equalisation takes place only between capitals, because only the action of capitals on one another has the force to assert the inherent laws of capital. In this respect, those who derive rent from *monopoly* are right. Just as it is the *monopoly* of

capital alone that enables the capitalist to squeeze surplus-labour out of the worker, so the monopoly of land ownership enables the landed proprietor to squeeze that part of surplus-labour from the capitalist, which would form a constant *excess profit*. But those who derive rent from monopoly are mistaken when they imagine that monopoly enables the landed proprietor to force the *price of the commodity above its value*. On the contrary, it makes it possible to maintain the *value of the commodity above its average price;* to sell the commodity not *above*, but *at* its value.

Modified in this way, the proposition is correct. It explains the *existence of rent*, whereas Ricardo only explains the *existence of differential rents* and actually does not credit the *ownership of land* with any *economic* effect. Furthermore, it does away with the superstructure, which with Ricardo himself was anyhow only arbitrary and not necessary for his presentation, namely, that the agricultural industry becomes gradually less productive; it admits on the contrary that it becomes more productive. On the bourgeois basis however agriculture is *relatively less productive*, or slower to develop the productive power of labour, than industry, Ricardo is right when he derives his "excess surplus-value" not from greater productivity but from smaller productivity.

[9. Differential Rent and Absolute Rent in Their Reciprocal Relationship. Rent as an Historical Category. Smith's

and Ricardo's Method of Research]

So far as the *difference in rents* is concerned, provided equal capital is invested in land areas of equal size, it is due to the *difference in natural fertility*, in the first place, specifically with regard to those products which supply bread, the chief nutriment; provided the lad is of equal size and fertility, differences in rent arise from *unequal capital investment*. The first, *natural*, difference causes not only the difference in the size but also in the level or rate of rent, relatively to the capital which has been laid out. The second, *industrial difference*, only effects a *greater* rent in proportion to the volume of capital which has been laid out. Successive capital investments on the same land *may* also have different results. The existence of *different excess profits* or *different rents* on land of varying fertility does not distinguish agriculture from industry. What does distinguish it is that those excess profits in agriculture become permanent *fixtures*, because here they rest on a natural basis (which, it is true, *can* be to some extent levelled out). In industry, on the other hand—given the same average profit—these excess profits can only turn up *fleetingly* and they *only* appear because of a change-over to more productive machines and combinations of labour. In industry it is always the most recently added, *most productive* capital that yields an excess profit by *reducing* average prices. In agriculture excess profit *may* be the result, and *very often must* be the result, not of the absolute increase in fertility of the best fields, but the relative increase in their fertility, because *less productive* land is being cultivated. In industry the higher *relative* productiveness, the excess profit (which disappears), must *always* be due to the absolute increase in productiveness, or productivity, of the newly invested capital compared with the old. No

capital can yield an *excess profit* in industry (we are not concerned here with a momentary rise in demand), *because* less productive capitals are *newly* entering into the branch of industry.

||486| It *can*, however, also happen in agriculture (and Ricardo admits this) that more fertile land—land which is either naturally more fertile or which becomes more fertile under newly developed advances in technique than the old land under the old [conditions]—comes into use at a later stage and even throws a part of the old land *out of cultivation* (as in the mining industry and with colonial products), or forces it to turn to another *type* of agriculture which supplies a *different* product.

The fact that the *differences* in rents (excess profits) become more or less *fixed* distinguishes agriculture from industry. But the fact that the *market-price* is determined by the average conditions of production, thus raising the price of the product which is below this average, above its *price* and even above its *value*, this fact by no means arises from the land, but from *competition*, from *capitalist production*. Hence this is not a law of nature, but a social law.

This theory neither demands the payment of *rent* for the worst land, nor the *non*-payment of rent. Similarly, it is possible that a *lease rent* is paid where *no rent* is yielded, where only the ordinary profit is made, or where *not even this* is made. Here the landowner draws a rent although *economically none is available*.

Rent (excess profit) is paid only for the better (more fertile) land. Here rent "as such" does not exist. In such cases *excess* profit—just as the excess profit in industry—rarely becomes fixed in the form of rent (as in the *West of the United States* of North America). |486||

||486| This is the case where, on the one hand, relatively great areas of disposable land have *not become private property* and, on the other, the natural fertility is so great that the values of the agricultural products are equal to (sometimes *below*) their *average prices*, despite the *scant development* of capitalist production and therefore the high proportion of variable capital to constant capital. If their values were higher, competition would reduce them to this level. It is however absurd to say, as for example Rodbertus does, that the state [appropriates the ground-rent because it] levies, for instance, a dollar or so per acre, a low, almost nominal price. One could just as well say that the state imposes a "trade tax" on the pursuit of every branch of industry. In *this case* Ricardo's law exists. Rent exists only for relatively fertile land—although mostly not in a fixed but in a fluid state, like the excess profit in industry. The land that pays *no* rent does so, not because of its low fertility, but *because of its high fertility*. The better kinds of land pay rent, because they possess *more* than average fertility, as a result of their *relatively higher* fertility.

But in countries *where landed property exists*, the same situation, namely that the last cultivated land pays *no rent*, may also occur for the *reverse* reasons. Supposing, for instance, that the *value* of the grain crops was so low (and that its low value was in no way connected with the payment of *rent*), that owing to the relatively low fertility of the last cultivated land the value of its crop were only equal to the *average price*, this means that, if the same amount of labour were expended here as on the land which carried a rent, the *number of quarters* would be so small (on the capital laid out), that with the average value of bread products, only the *average price* of wheat would be obtained.

||487| Supposing for example, that the last land which carries *rent* (and the land which carries the *smallest rent* represents *pure* rent; the others already differential rent) produces [with] a capital investment of £100, [a product] equal to £120 or 360 quarters of wheat at £ 1/3. In this case 3 quarters equal £ 1. Let £ 1 equal one week's labour. £ 100 are 100 weeks' labour and £ 120 are 120 weeks' labour. 1 quarter is 1/3 of a week which is 2 days and of these 2 days or 24 hours (if the normal working-day is 12 hours) 1/5, or 4 4/5 hours, are unpaid labour which is equal to the surplus-value embodied in the quarter. 1 quarter equals £ 1/3 which is 6 2/3s. or 6 6/9s.

If the quarter is sold at its value and the average profit is 10 per cent then the *average price* of the 360 quarters would be £110 and the average price per quarter 6 1/9s. The value would be £10 above the average price. And since the average profit is 10 per cent the rent would be equal to half the surplus-value, i.e., £ 10 or 5/9s. per quarter. Better types of land, which would yield more quarters for the same outlay of 120 labour weeks (of which, however, only 100 are paid labour, be it materialised or living), would, at the price of 6 6/9s. per quarter, yield a higher rent. But the worst cultivated land would yield a rent of £ 10 on a capital of £ 100 or of 5/9s. per quarter of wheat.

Assume that a new piece of land is cultivated, which only yields 330 quarters with 120 labour weeks. If the value of 3 quarters is £ 1, then that of 330 quarters is £ 110. But 1 quarter would now be equal to *2 days* and *2 2/11 hours*, while before it was equal to only two days. Previously, 1 quarter was equal to 6 6/9s. or 1 quarter was equal to 6s. 8d.; now, since £ 1 equals 6 days, it is equal to 7s. 3d. 1 1/11 farthing. To be sold at its *value* the quarter would now have to be sold at 7d. 1 1/11 farthing more, at this price it would also yield the rent of 5/9s. per quarter. The *value* of the wheat produced on the better land is here *below* the *value* of that produced on the

worst land. If this worst land sells at the price per quarter of the next best or rent yielding land then it sells *below* its value but at its *average price*, i.e., the price at which it yields the normal profit of 10 per cent. It can therefore be cultivated and yield the normal average profit to the capitalist.

There are two situations in which the worst land would here yield a rent apart from profit.

Firstly if the *value* of the quarter of wheat were above 6 $^{6}/_{9}$s. (its *price* could be above 6 $^{6}/_{9}$s., i.e., above its value, as a result of demand; but this does not concern us here. The 6 $^{6}/_{9}$s., the price per quarter, which yielded a rent of £ 10 on the worst land cultivated previously, was equal to the *value* of the wheat grown on *this* land, which yields a non-differential rent), that is [if] the worst land previously cultivated and all others, while yielding *the same* rent, were proportionately less fertile, so that their value were higher *above* their average price and the average price of the other commodities. That the *new* worst land does *not* yield a rent is thus not due to its low fertility but to the *relatively high fertility* of the *other land*. As against the new type of land with the new capital investment, the worst, [previously] cultivated, rent-yielding lad represents *rent in general*, the *non-differential* rent. And that its rent is not higher is due to the [high] *fertility* of the rent-yielding land.

Assume that there are three other classes of land besides the last rent-yielding land. Class II (that above I, the last rent-yielding land) carries a rent of one-fifth more because this land is one-fifth more fertile than class I; class III again one-fifth more because it is one-fifth more fertile than class II, and the same again in class IV because it is a fifth more fertile than class III. Since the rent in class I equals £ 10, it is 10 + $^{1}/_{5}$ = £ 12 in class II, 12 + $^{1}/_{5}$ =£ 14 $^{2}/_{5}$ in class III and 14 $^{2}/_{5}$ + $^{1}/_{5}$ = £17 $^{7}/_{25}$ in class IV.

If IV's fertility were less, the rent of III-I inclusive ||488 | would be greater and that of IV also greater absolutely (but would the proportion be the same?). This can be taken in two ways. *If I were more fertile then the rent of II, III, JV would be proportionately smaller*. On the other hand, I is to II, II is to III and III is to IV as the newly added, non-rent-yielding type of land is to I. The new type of land does not carry a rent because the *value* of the wheat from I is not above the average price [of that] from the new land. It would be above it if I were less fertile. Then the new land would likewise yield a rent. But the same applies to I, If II were more fertile then I would yield no rent or a smaller rent. And it is the same with II and III and with III and IV, Finally we have the reverse: The absolute fertility of IV determines the rent of III. If IV were yet more fertile, III, II, I would yield a smaller rent or no rent at all. Thus the rent yielded by I, the undifferentiated rent, is determined by the fertility of IV, just as the circumstance that the new land yields no rent is determined by the fertility of I. Accordingly, *Storch's law is* valid here, namely, that the rent of the *most fertile* land determines the rent of the last land to yield any rent at all, and therefore also the difference between the land which yields the undifferentiated rent and that which yields no rent at all.

Hence the phenomenon that here the fifth class, the newly cultivated land I' (as opposed to I) yields *no rent*, is not to be ascribed to its *own lack of fertility*, but to its *relative* lack of fertility compared with I, therefore, to the relative fertility of I as compared with I'.

[*Secondly*] The value [of the product] of the rent-yielding types of land I, II, III, IV, that is 6s. 8d. per quarter (to make it more realistic, one could say *bushel* instead of quarter), equals the *average price* of I' and is *below* its own value. Now many intermediary stages are in fact possible. Supposing on a capital investment of £ 100, I' yielded any quantity of

quarters between its real return of 330 bushels and the return of I which is 360 bushels, say 333, 340, 350 *up to* 360—*x* bushels. Then the value of the quarter at 6s. 8d. would be above the average price of I' (per bushel) and the last cultivated land would yield a rent. That it yields the *average profit* at all, it owes to the relatively low fertility of I, and therefore of I-IV. That it yields *no* rent, is due to the relatively high fertility of I and to its own relatively low fertility. The last cultivated land I' could yield a rent if the value of the bushel were *above* 6s. 8d., that is, if I, II, III, IV were less fertile, for then the value of the wheat would be greater. It could however also yield a rent if the value were given at 6s. 8d., i.e., if the fertility of I, II, III and IV were *the same*. This would be the case if it were more fertile itself, yielded more than 330 bushels and if the value of 6s. 8d. per bushel were *thus* above its *average price;* in other words, its average price would then be *below* 6s. 8d., and therefore *below* the value of the wheat grown on I, II, III, IV. If the value is above the average price, then there is an excess profit above the average profit, hence the possibility of a *rent*.

This shows: When comparing *different* spheres of production—for instance industry and agriculture—the fact that value is above average price indicates *lower productivity* in the sphere of production that yields the excess profit, the excess of value over the average price. In *the same* sphere, on the other hand, [it indicates] *greater productivity* of one capital in comparison with other capitals in the same sphere of production. In the above example, I yields a rent, only because in agriculture the proportion of variable capital to constant capital is greater than in industry, i.e., more new labour has to be added to the materialised labour—and because of the existence of landed property this excess of value *over* average price is not levelled out by competition between capitals. But that I yields a rent at

all is due to the fact that the value of 6s. 8d. per bushel is not *below* its average price, and that its fertility is not so low that its own value rises above 6s. 8d. per bushel. Its *price* moreover is *not* determined by *its own value* but by the value of the wheat grown on II, III, IV or, to be precise, by that grown on II. Whether the *market-price* is merely equal to its *own average price* or stands above it, and whether its *value is above its average price*, depends on its own productivity.

Hence Rodbertus's view that in agriculture every capital which yields the average profit *must* yield rent is wrong. This false conclusion follows from his ||489| false basis. He reasons like this: The capital in agriculture, for instance, yields £ 10. But because, in contrast to industry, *raw materials* do *not* enter into it, the £ 10 are reckoned on a smaller sum. They represent therefore more than 10 per cent. But the point is this: It is not the absence of raw materials (on the contrary, they do enter into agriculture proper; it wouldn't matter a straw if they *didn't* enter into it, provided *machinery* etc. increased proportionally) which raises the value of the agricultural products above the *average price* (their own and that of other commodities). Rather is this due to the higher proportion of variable to constant capital compared with that existing, not in *particular spheres* of industrial *production*, but *on an average* in industry as a whole. The magnitude of this *general* difference determines the amount and the existence of rent on No. I, the absolute, non-differential rent and hence the *smallest* rent. The price of wheat from I', the newly cultivated land which does not yield a rent, is, however, *not* determined by the *value* of its own product, but by the value of I, and consequently by the average *market-price* of the wheat supplied by I, II, III and IV.

The privilege of agriculture (resulting from landed property), that it sells its product not at the *average*

price but at its *value* if this value is *above* the average price, is by no means valid for products grown on different types of land as against one another, for products of different values produced within *the same* sphere of production. As against industrial products, they can only claim to be sold at their value. As against the other products of the same sphere, they are determined by the market-price, and it depends on the fertility of I whether the value—which equals the average market-price here—is sufficiently high or low, i.e., whether the fertility of I is sufficiently high or low, for I', if it is sold at *this* value, to participate little, much or not at all in the general difference between the value and the average price of wheat. But, since Herr Rodbertus makes no distinction at all between values and average prices, and since he considers it to be a general law for all commodities, and not a privilege of agricultural products, that they are sold at *their* values—he must of course believe that the product of the least fertile land has also to be sold at *its* individual value. But it loses this privilege in competition with products of *the same* type.

Now it is possible for the average price of I' to be above 6s. 8d. per bushel, the value of I. It can be assumed (although this is not quite correct), that for land I' to be cultivated at all, demand must increase. The price of wheat from I must therefore rise *above* its *value*, above 6s. 8d., and indeed persistently so. In this case land I' will be cultivated, If it can make the average profit at 6s. 8d. although its value is *above* 6s. 8d. and if it can satisfy demand, then the price will be reduced to 6s. 8d., since demand now again corresponds to supply, and so I must sell at 6s. 8d. again, ditto II, III, IV; hence also I'. If, on the other hand, the *average price* in I' amounted to 7s. 8d. so that it could make the usual profit at this price only (which would be far below its individual value) and if the demand could not be otherwise satisfied, then the value of the bushel would have to consolidate itself at 7s. 8d.

and the demand price of I would rise above its value. That of II, III, IV, which is already above *their* individual value, would rise even higher. If, on the other hand, there were prospects of grain imports which would by no means permit of such a stabilisation, then I' could nevertheless be cultivated if small farmers were prepared to be satisfied with less than the average profit. This is constantly happening in both agriculture and industry. Rent could be paid in this case just as when I' yields the average profit, but it would merely be a deduction from the farmer's profit. If this could not be done either, then the landlord could lease the land to cottagers whose main concern, like that of the hand-loom weaver, is to get their wages out of it and to pay the surplus, large or small, to the landlord in the form of rent. As in the case of the hand-loom weaver, this surplus could even be a mere deduction, not from the product of labour, but from the *wages of labour*. In all these instances rent could be paid. In one case it would be a deduction from the capitalist's profit. In the other case, the landlord would appropriate the surplus-labour of the worker which would otherwise be appropriated by the capitalist. And in the final case he would live off the worker's wage as the capitalists are also often wont to do. But large-scale *capitalist production* is only possible where the last cultivated land yields at least the average profit, that is where the value of I enables I, to realise at least the average price.

One can see how the differentiation between *value* and *average price* surprisingly solves the question and shows that Ricardo and his opponents are right.

||XI-490| If I, the land which yields absolute rent, were the only cultivated land, then it would sell the bushel of wheat at its *value*, at 6s. 8d. or 6 $^{6}/_{9}$s. and not reduce it to the average price of 6 $^{1}/_{9}$s. or 6s. 1 $^{1}/_{3}$d. If all land were of the same type and if the cultivated area increased tenfold,

because demand grew, then since I yields a rent of £10 per £100, the rent would grow to £ 100, although only *a single type of land* existed. But its rate or level would not grow, neither compared with the *capital advanced* nor compared with the area of *land cultivated*. Ten times as many acres would be cultivated and ten times as much capital advanced. This would therefore merely be an augmentation of the *rental*, of the volume of rent, not of its level. The rate of profit would not fall; for the value and price of the agricultural products would remain the same. A capital which is ten times as large can naturally hand over a rent which is ten times larger than a capital which is one-tenth its size. On the other hand, if ten times as much capital were employed on the same area of land with the same result, then the rate of rent compared with the capital laid out would have remained *the same;* it would have risen in proportion to the area of land, but would not have altered the rate of profit in any way.

Now supposing the cultivation of I became more productive, not because the land had altered but because more constant capital and less variable capital is being laid out, that is more capital is being spent on machinery, horses, mineral fertilisers etc. and less on wages; then the value of wheat would approach its average price and the average price of the industrial products, because the excess in the ratio of variable to constant capital would have decreased. In this case rent would fall and the rate of profit would remain unaltered. If the mode of production changed in such a way that the ratio of variable to constant capital became the same as the average ratio in industry, then the excess of value over the average price of wheat would disappear and with it rent, excess profit. Category I would no longer pay a rent, and landed property would have become nominal (in so far as the altered mode of production is not in fact accompanied by additional capital being embodied in the land, so that, on the termination of the lease, the owner might draw

interest on a capital which he himself had not advanced; this is indeed a principal means by which landowners enrich themselves, and the dispute about tenantry-right in Ireland revolves around this very point). Now if, besides I, there also existed II, III, IV, in all of which this mode of production were applied, then they would still yield rents because of their greater natural fertility and the rent would be in proportion to the degree of their fertility. Category I would in this case have ceased to yield a rent and the rents of II, III, IV would have fallen accordingly, because the general ratio of productivity in agriculture had become equal to that prevailing in industry. The rent of II, III, IV would correspond with the Ricardian law; it would merely be equivalent to, and would *exist* only as an excess profit of more fertile compared to less fertile land, like similar excess profits in industry, except in the latter they lack the natural basis for consolidation.

The Ricardian law would prevail just the same, even if *landed property* were non-existent. With the abolition of landed property and the retention of capitalist production, this excess profit arising from the difference in fertility would remain. If the state appropriated the land and capitalist production continued, then rent from II, III, IV would be paid to the state, but rent as such would remain. If landed property became *people's property* then the whole basis of capitalist production would go, the foundation on which rests the confrontation of the worker by the conditions of labour as an independent force.

A question which is to be later examined in connection with rent: How is it possible for rent to rise in *value* and in *amount*, with more intensive cultivation, although the rate of rent falls in relation to the capital advanced? This is obviously only possible because the *amount of capital advanced* rises. If rent is $^1/_5$ and it becomes $^1/_{10}$, then 20 × $^1/_5$ = 4 and 50 × $^1/_{10}$ = 5. That's all. But if conditions of

production in intensive cultivation became the same as those prevailing on an average in industry, instead of only *approximating* to them, then rent for the least fertile land would disappear and for the most fertile it would be reduced merely to the difference in the land. *Absolute* rent would no longer exist.

Now let us assume that, following upon a rise in demand, new land, II, were cultivated in addition to I. Category I pays the absolute rent, II would pay a differential rent, but the *price* of wheat (value for I, excess value for II) remains the same. The rate of profit, too, [is supposed] not to be affected, And so on till we come to IV. Thus the *level*, the rate of rent is also rising if we take the total capital laid out in I, II, III, IV. But the average rate of profit from II, III, IV would remain the same as that from I, which equals that in industry, the general rate of profit. Thus if ||491| we go on to more fertile land, the amount and rate of rent can grow, although the rate of profit remains unchanged and the price of wheat constant. The rise in level and amount of rent would be due to the growing productivity of the capital in II, III, IV, not to the diminishing productivity in I. But the growing productivity would not cause a rise in profits and a fall both in the price of the commodity and in wages, as happens necessarily in industry.

Supposing, however, the reverse process took place: from IV to III, II, I, Then the price would rise to 6s. 8d. at which it would still yield a rent of £ 10 on £ 100 on I. For the rent of wheat on IV [amounts to] £ 17 $^{7}/_{25}$ on £ 100, of which, however, 7 $^{7}/_{25}$ are the excess of its price over the value of I. Category I gave 360 bushels at £ 100 (with a rent of £ 10 and the value of the *bushel at 6s. 8d.*) . II—432 bushels. III—518 $^{2}/_{5}$ bushels and IV—622 $^{2}/_{25}$ bushels. But the price per bushel of 6s. 8d yielded IV an excess rent of 7 $^{7}/_{25}$ per 100. IV sells 3 bushels for £ 1 or 622 $^{2}/_{25}$ bushels at £ 207 $^{9}/_{25}$. But its value is only £ 120, as in I; whatever is above this amount is excess of its

price over its value. IV would sell the bushel at its value or rather, [he would sell it at its value] if he sold it, at 3s. 10 $^{8}/_{27}$d. and at this price he would have a rent of £ 10 on £ 100. The movement from IV to III, III to II and II to I, causes the price per bushel (and with it the rent) to rise until it eventually reaches 6s. 8d. with I, where this price now yields the same rent that it previously yielded with IV. The rate of profit would fall with the rise in price, partly owing to the rise in value of the means of subsistence and raw materials. The transition from IV to III could happen like this: Due to demand, the price of IV rises above its value, hence it yields not only rent but excess rent. Consequently III is cultivated which, with the normal average profit, is not supposed to yield a rent at this price, If the rate of profit has not fallen as a result of the rise in price of IV, but wages, have, then III will yield the average profit. But due to the [additional] supply from III, wages should rise to their normal level again; (then] the rate of profit in III falls etc.

Thus the rate of profit falls with this downward movement on the *assumptions which we have made*, namely, that III cannot yield a rent at the price of IV and that III can only be cultivated at the old rate of profit because wages have momentarily fallen below their [normal] level.

Under these conditions [it is again possible for] the Ricardian law [to apply]. But not necessarily, even according to his interpretation. It is merely *possible* in certain circumstances. In reality the movements are contradictory.

This has disposed of the essence of the theory of rent.

With Herr Rodbertus, rent arises from eternal nature, at least of capitalist production, because of his “value of the material”. In our view rent arises from an *historical difference* in the organic component parts of capital

which may be partially ironed out and indeed disappear completely, with the development of agriculture. True, the difference in so far as it is merely due to variation in actual fertility of the land remains even if the *absolute* rent disappeared. But—quite apart from the possible ironing out of natural *variations—differential rent* is linked with the regulation of the market-price and therefore disappears along with the price and with capitalist production. There would remain only the fact that *land of varying fertility* is cultivated by social labour and, despite the difference in the amount of labour employed, labour can become more productive on all types of land. But the amount of labour used on the worse land would by no means result in more labour being paid for [the product] of the better land as now with the bourgeois. Rather would the labour saved on IV be used for the improvement of III and that saved from III for the improvement of II and finally that saved on II would be used to improve I. Thus the whole of the capital eaten up by the landowners would serve to equalise the labour used for the cultivation of the soil and to reduce the amount of labour in agriculture as a whole.

||492| {Adam Smith, as we saw above, first correctly interprets value and the relation existing between profit, wages, etc. as component parts of this value, and then he proceeds the other way round, regards the prices of wages, profit and rent as antecedent factors and seeks to determine them independently, in order then to compose the price of the commodity out of them. The meaning of this change of approach is that first he grasps the problem in its inner relationships, and then in the reverse form, as it appears in competition. These two concepts of his run counter to one another in his work, naively, without his being aware of the contradiction. Ricardo, on the other hand, consciously abstracts from the form of competition, from the appearance of competition, in order to comprehend the laws as such. On the one hand he must

be reproached for not going far enough, for not carrying his abstraction to completion, for instance, when he analyses the value of the commodity, he at once allows himself to be influenced by consideration of all kinds of concrete conditions. On the other hand one must reproach him for regarding the phenomenal form as immediate and direct proof or exposition of the general laws, and for failing to interpret it. In regard to the first, his abstraction is too incomplete; in regard to the second, it is formal abstraction which in itself is wrong.}

[10. Rate of Rent and Rate of Profit. Relation Between Productivity in Agriculture and in Industry in the Different Stages of Historical Development]

Now to return briefly to the remainder of Rodbertus.

> "The increase in wages, capital gain and ground-rent respectively, which arises from the increase in the value of the national product can raise neither the wages nor the capital gain of the nation, since more wages are now distributed among more workers and a greater amount of capital gain accrues to capital increased in the same proportion; ground-rent, on the other hand, must rise since this always accrues to land whose area has remained the same. It is thus possible to explain satisfactorily the great rise in land value, which is nothing other than ground-rent capitalised at the normal rate of interest, without having to resort to a fall in productivity of agricultural

> labour, which is diametrically opposed to the idea of the perfectibility of human society and to all agricultural and statistical facts" (pp. 160–61).

First of all it should be noted that Ricardo [at whom this passage is aimed] nowhere seeks to explain the "great rise in land value". This is no problem at all for him. He says further, and Ricardo even noted this explicitly (see later in connection with Ricardo), that—given the rate of rent—rent can increase with a constant value of corn or agricultural produce. This increase again presents no problem for him. The rise in the rental while the rate of rent remains the same, is no problem for him either. His problem lies in the rise in the rate of rent, i.e., rent in proportion to the agricultural capital advanced, and hence the rise in value not of the amount of agricultural produce, but the rise in the value, for example, of the quarter of wheat, i.e., of the same quantity of agricultural produce; in consequence of this the excess of its value over the average price increases and thereby also the excess of rent over the rate of profit. Herr Rodbertus here begs the Ricardian problem (to say nothing of his erroneous "value of the material").

The rate of rent can indeed rise relatively to the capital advanced, in other words, the relative value of the agricultural product can rise in proportion to the industrial product, even though agriculture is constantly becoming more productive. And this can happen for two reasons.

Firstly take the *above example*, the transition from I to II, III, IV, i.e., to ever more fertile land (but where the additional supply is not so great as to throw I out of cultivation or to reduce the difference between value and average price to such an extent that IV, III, II pay relatively lower rents and I no rent at all). If I's rent amounts to 10, II's to 20, III's to 30 and IV's to 40 and if £ 100 are invested in all four types of land, then I's rent

would be $^{1}/_{10}$ or 10 per cent on the capital advanced, II's would be $^{2}/_{10}$ or 20 per cent, III's would be $^{3}/_{10}$ or 30 per cent and IV's rent would be $^{4}/_{10}$ or 40 per cent. Altogether £ 100 on 400 capital advanced, which gives an average rate of rent of $^{100}/_{4}$=25 per cent. Taking the entire capital invested in agriculture, the rent amounts now to 25 per cent. Had only the cultivation of land I (the unfertile land) been extended, then the rent would be 40 on 400, 10 per cent just as before, and it would not have risen by 15 per cent. But in the first case (if 330 bushels resulted from an outlay of £ 100 on I) only *1,320* bushels would have been produced at the price of 6s. 8d. per bushel. In the second case [i.e., when all four classes of land are cultivated], 1,500 bushels have been produced at the same price. The same capital has been advanced in both cases.

But the rise in the *level* of the rent here is only apparent. For if we calculate the capital outlay in relation to the product, then 100 [would have been] needed in I to produce 330 and 400 to produce *1,320* bushels. But now only 100+90+80+70, i.e., £ 340 are needed to produce 1,320 bushels. £ 90 in II produce as much as 100 in I, 80 in III as much as 90 in II and 70 in IV as much as 80 in III. The rate of rent [has] risen in II, III, IV, compared with I.

If we take society as a whole, it means that a capital of 340 [was] employed to raise *the same* product, instead of a capital of 400, that is 85 per cent [of the previous] capital.

||493| The 1,320 bushels [would] only be distributed, in a different way from those in the first case. The farmer must hand over as much on 90 as previously on 100, as much on 80 as previously on 90 and as much on 70 as previously on 80. But the capital outlay of 90, 80, 70, gives him just the same amount of product as he previously obtained on 100. He hands over more, not

because he must employ more capital in order to supply the same product, but because he employs less capital; not because his capital has become less productive, but because it has become more productive and he is still selling at the price of I, as though he still required the same capital as before in order to produce the same quantity of product.

[*Secondly*.] Apart from this rise in the *rate of rent*— which corresponds to the uneven rise in excess profit in individual branches of industry, though here it does not become fixed— there is only one other possibility of the *rate of rent* rising although the value of the product remains the same, that is, labour does not become less productive. It occurs either when productivity in agriculture remains *the same* as before but productivity in industry rises and this rise expresses itself in a fall in the rate of profit, in other words when the ratio of variable to constant capital diminishes. Or, alternatively, when productivity is rising in agriculture as well though not at the same rate as in industry but at a lower rate. If productivity in agriculture rises as 1:2 and in industry as 1:4, then it is *relatively* the same as if it had remained at one in agriculture and had doubled in industry, In this case the ratio of variable capital to constant capital would be decreasing in industry twice as fast as in agriculture.

In both cases the rate of profit in industry would fall, and because it *fell* the *rate* of rent would rise. In the other instances the rate of profit does not fall absolutely (rather it remains *constant*) but it falls relatively to rent. It does so not because it *itself* is decreasing but because rent, the rate of rent in relation to the capital advanced, is rising.

Ricardo does not differentiate between these cases. Except in these cases (that is where the rate of profit, although constant, falls relatively because of the differential rents of the capital employed on the more

fertile types of land or where the general ratio of constant to variable capital alters as a result of the increased productivity of industry and *hence* increases the excess of value of agricultural products above their average price) the rate of rent can only rise if the rate of profit falls without industry becoming more productive. This is, however, only possible if wages rise or if raw material rises in value as a result of the lower productivity of agriculture. In this case both the fall in the rate of profit and the rise in the level of rent are brought about by the same cause—the decrease in the productivity of agriculture and of the capital employed in agriculture. This is how Ricardo sees it. With the value of money *remaining the same*, this must then show itself in a rise in the *prices* of the raw products. If, as above, the rise is *relative*, then no change in the price of money can raise the money prices of agricultural products absolutely as compared with industrial products. If money fell by 50 per cent then l quarter which was previously worth £ 3 would now be worth £ 6, but 1 lb. yarn which was previously worth 1s. would now be worth 2s. The *absolute* rise in the money prices of agricultural products compared with industrial products can therefore never be explained by changes in [the value of] money.

On the whole it can be assumed that under the cruder, pre-capitalist mode of production, agriculture is *more productive* than industry, because nature assists here as a machine and an organism, whereas in industry the powers of nature are still almost entirely replaced by human action (as in the craft type of industry etc.). In the period of the stormy growth of capitalist production, productivity in industry develops rapidly as compared with agriculture, although its development *presupposes* that a significant change as between constant and variable capital *has* already taken place in agriculture, that is, a large number of people have

been driven off the land. Later, productivity advances in both, although at a uneven pace. But when industry reaches a certain level the disproportion must diminish, in other words, productivity in agriculture must increase relatively more rapidly than in industry. This requires: 1. The replacement of the easy-going farmer by the businessman, the fanning capitalist; transformation of the husbandman into a pure wage-labourer; large-scale agriculture, i.e., with concentrated capitals. 2. In particular however: Mechanics, the really scientific basis of large-scale industry, had reached a certain degree of perfection during the eighteenth century. The development of chemistry, geology and physiology, the sciences that *directly* form the specific basis of agriculture rather than of industry, ||494| does not take place till the nineteenth century and especially the later decades.

It is nonsense to talk of the greater or lesser productivity of two *different* branches of industry when merely comparing the values of their commodities. If, [in] 1800, the pound of cotton was 2s. and of yarn 4s., and if, in 1830, the value of cotton was 2s. or 18d. and that of yarn 3s. or 1s. 8d. then one might compare the proportion in which the productivity in both branches had grown—but only because the rate of 1800 is taken as the starting-point. On the other hand, because the pound of cotton is 2s, and that of yarn is 3, and hence the labour which produces the cotton is as great again as the [newly-added labour] of spinning, it would be absurd to say that the one is twice as productive as the other. Just as absurd as it would be to say that because canvas can be made more cheaply than the artist's painting on the canvas, the labour of the latter is less productive than that of the former.

Only the following is correct, even if it comprises the capitalist meaning of productive—productive of surplus-value along with the relative amounts of the product:

If, on an average, according to the conditions of production, £ 500 is needed in the form of raw material and machinery etc.<at given values> in order to employ 100 workers [whose wages] amount to £ 100 in the cotton industry, and, on the other hand, £ 150 is needed for raw materials and machinery in order to employ 100 workers [whose wages] amount to £ 100, in the cultivation of wheat, then the variable capital in I would form 1/6 of the total capital of £ 600, and 1/5 of the constant capital; in II, the variable capital would constitute 2/5 of the total capital of £ 250 and 2/3 of constant capital. Thus every £ 100 which is laid out in I can only contain £ 16 2/3 variable capital and must contain £ 83 1/3 constant capital; whereas in II it comprises £ 40 of variable capital and £ 60 of constant, In I, variable capital forms 1/6 or 16 2/3 per cent and in II, 40 per cent. Clearly the histories of prices are at present quite wretched. And they can be nothing but wretched until theory shows what needs to be examined. If the rate of surplus-value were given at, say, 20 per cent then the surplus-value in I would amount to £ 3 1/3 (hence profit 31/3 per cent). In II, however, £8 (hence profit 8 per cent). Labour in I would not be so productive as in II because it would be more productive (in other words, not so productive of surplus-value, because it is more productive of produce). Incidentally, it is cleary only possible to have a ratio of 1 :1/6, for example, in the cotton industry, if a constant capital (this depends on the machines etc.) amounting to say £ 10,000 has been laid out, hence wages amounting to 2,000, making a total capital of 12,000. If only 6,000 were laid out, of which wages would be 1,000, then the machinery would be less productive etc. At 100 it could not be done at all. On the other had it is possible that if £ 23,000 is laid out, the resulting increase in the efficiency of the machinery and other economies etc. are so great that the £ 19,166 2/3 is not entirely allocated to constant capital, but that more raw material and the same amount of labour require *less* machinery etc. ([in terms of] value) which is

assumed to cost £ 1,000 less than before. Then the ratio of variable to constant capital grows again, but only because the absolute [amount of] capital has grown. This is a check against the fall in the rate of profit. Two capitals of 12,000 would produce the same quantity of commodities as the one of 23,000, but firstly the commodities would be dearer since they required an outlay of £ 1,000 more, and secondly the rate of profit would be smaller because within the capital of £ 23,000, the variable capital is more than $^1/_6$ of the total capital, i.e., more than in the sum of the two capitals of £ 12,000. |494||

||494| (On the one hand, with the advance of industry, machinery becomes more effective and cheaper; hence, if only *the same quantify* of machinery were employed as in the past, this part of constant capital in agriculture would diminish; but the quantity of machinery grows faster than the reduction in its price, since this element is as yet little developed in agriculture. On the other hand, with the greater productivity of agriculture, the price of raw material—see cotton—falls, so that raw material does not increase as a component part of the process of creating value to the same degree as it increases as a component part of the labour-process.) |494||

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||494| Already *Petty* tells us that the Landlord of his time feared improvements in agriculture because they would cause the price of agricultural products and (the level of) rent to fall; ditto the *extension of the land* and the cultivation of previously unused land which is equivalent to an extension of the land. (In Holland this extension of the land is to be understood in an even more direct way.) He says:

> "...that the draining of Fens, improving of Forestsa, inclosing of Commons, Sowing of St. Foyne and Clovergrass, be grumbled against by

> Landlords, as the way to depress the Price *of* Victuals([William Petty], "Political Arithmetick" [in: *Several Essays in Political Arithmetick*,] London, 1699, p. 230.)

("...the Rent of all England [...] Wales, and the Low-Lands of Scotland, be about Nine Millions per Annum) (Ibid., p. 231.)

Petty fights this view and D'Avenant goes ||495| even further and shows how the *level of rent* may decrease while the amount of rent or the rental increases, He says:

> "Rents may fall in some Places, and Counties, and yet the Land of the Nation" (he means value of the land) "improve all the while: As for Example, when Parks are dispark'd, and Forests, and Commons are taken in, and enclos'd; when Fen-Lands are drein'd, and when many Parts" (of the country) "are meliorated by Industry, and manuring[e] it must certainly depretiate that Ground which has been Improv'd to the full before, or[f] c was capable of no farther Improvement [...] the Rental[g] of private Men does thereby sink, yet the general Rental[h] of the Kingdom by such Improvements, at the same time rises." (Charles D'Avenant, *Discourses on the Publick Revenues, and on the Trade of England*, Part II, London, 1698, pp. 26–27.)"... fall in private Rents from 1666 to 1688 [...] but the Rise in the Kingdomes general Rental was greater in Proportion during that time, than in the preceeding Years, because the Improvements upon Land were greater and more universal, between those two Periods, than at any time before (l.c. p. 28).

It is also evident here, that the Englishman always regards the levef of rent as rent related to capital and never to the *total land* in the kingdom (or to the acre in general, like Herr Rodbertus).

[a] Instead of “of the towns has therefore become” in the manuscript: “In Dutch towns is”.—Ed.

[b] Instead of “and the” in the manuscript: “on”.—Ed

* ||486| <As Opdyke calls landed property “the legalised reflection of the capital”, so “capital is the legalised reflection of other people’s labour”.> |486||

[c] Instead *of* “reflection *of* the capital” in the manuscript: “reflection of the value of capital”.—Ed.

[d] In the manuscript: “woods”.—Ed.

[e] In the manuscript: “manufacturing” instead of “manuring”.—Ed.

[f] In the manuscript: “and” instead of “*or*”.—*Ed.*

[g] In the manuscript: “income from rent” instead of “Rental”.—Ed.

[h] In the manuscript: “rent” instead of “Rental”.—Ed.

Theories of Surplus Value, Marx 1861-3

[CHAPTER IX] Notes on the History of the Discovery of the So-Called

Ricardian Law of Rent.

[Supplementary Notes on Rodbertus]

(Digression)

[1. The Discovery of the Law of Differential Rent by Anderson. Distortion of Anderson's Views by His Plagiarist, Malthus, in the Interests of the Landowners]

Anderson was a practical farmer. His first work, in which the nature of rent is discussed *in passing*, appeared in 1777, at a time when, for a large section of the public, Sir James Steuart was still the leading economist, and while everyone's attention was focused on the *Wealth of Nations*, which had appeared a year earlier. As against this, the work of the Scottish farmer, which had been

occasioned by an immediate practical controversy and which did not *ex professo* deal with rent but only incidentally elucidated its nature, could not attract any attention. In this work, Anderson only dealt with rent accidentally, not *ex professo*. This theory of his appears again, in the same incidental fashion, in one or two of his collected essays which he himself published in three volumes under the title of: *Essays Relating to Agriculture and Rural Affairs*, 3 vols., Edinburgh, 1775-1796. Similarly in his *Recreations in Agriculture, Natural History, Arts*, etc., London (to be looked up in the British Museum) which were published in the years 1799 to 1802, all these writings are directly intended for farmers and agriculturists. [It would have been] different if Anderson had had an inkling of the importance of his find and had put it before the public separately, as an "Inquiry into the Nature of Rent", or if he had had the least bit of talent in trading his own ideas, as his fellow countryman, McCulloch, did so successfully with other people's. The reproductions of his theory which appeared in 1815 were published forthwith as independent *theoretical* inquiries into the nature of rent, as the very titles of the respective works of West and Malthus show:

Malthus: *An Inquiry into the Nature and Progress of Rent*.

West: *Essay on the Application of Capital to Land*.

Furthermore, Malthus used the Andersonian theory of rent to give his population law, for the first time, both an economic and a real (natural-historical) basis, while the nonsense about geometrical and arithmetical progression borrowed from earlier writers, was a purely imaginary hypothesis. Mr. Malthus at once "improved" the matter, *Ricardo* even made this doctrine of rent, as he himself says in his preface, one of the most important links in the whole system of political economy and—quite

apart from the practical aspect—gave it an entirely new theoretical importance.

Ricardo evidently did not know Anderson since, in the preface to his *Principles of Political Economy*, he treats West and Malthus as the originators. Judging by the original manner in which he presents the law, *West* was possibly as little acquainted with Anderson as Tooke was with Steuart. With Mr. Malthus it is different. A close comparison of his writings shows that he knows and uses Anderson. He was in fact *plagiarist* by ||496| profession. One need only compare *the first edition* of his work on population with the work of the Reverend Townsend which I have quoted previously, to he convinced that he does not work him over as an independent producer, but copies him and paraphrases him like a slavish plagiarist, although he does *not mention him anywhere by name* and *conceals* his existence.

The manner in which Malthus used Anderson is characteristic. Anderson had defended premiums on exports of corn and duties on corn imports, not out of any interest for the landlords, but because he believed that this type of legislation "would *reduce* the average price of corn" and ensure an even development of the productive forces in agriculture. Malthus accepted this practical application of Anderson's because—being a staunch member of the Established Church of England—he was a professional sycophant of the landed aristocracy, whose rents, sinecures, squandering, heartlessness etc. he justified *economically*. Malthus defends the interests of the industrial bourgeoisie only in so far as these are identical with the interests of landed property, of the aristocracy, i.e., *against* the mass of the people, the proletariat. But where these interests diverge and are antagonistic to each other, he sides with the aristocracy against the bourgeoisie. Hence his defence of the "*unproductive* worker", over-consumption etc.

Anderson, on the other hand, explained the difference between land which pays rent and that which does not, or between lands which pay varying rents, by the *relatively* low fertility of the land which hears *no* rent or a *smaller* rent compared with that which bears a rent or a greater rent. But he stated expressly that these degrees of relative productivity of *different* types of land, i.e., also the relatively low productivity of the worse types of land compared with the better, had absolutely nothing to do with the *absolute* productivity of agriculture. *On the contrary*, he stressed not only that the absolute productivity of all types of land could he constantly improved and must be improved with the progress in population, but he went further and asserted that the *differences* in *productivity* of various types of land can be progressively *reduced*. He said that the present degree of development of agriculture in England gives no indication at all of its *possibilities*. That is why he said that in one country the prices of corn may be high and rent Low, while in another country the price of corn may be low and rent may he high, and this is in accordance with his principle, since the level and the existence of rents is in both countries determined by the *difference* between the fertile and the unfertile land, in neither of them by the absolute fertility; in each only by the degree of difference in fertility of the existing types of land, and not by the average fertility of these types of land, From this he concluded that the absolute fertility of agriculture has nothing to do with rent. Hence later, as we shall see below, he declared himself a decided adversary of the Malthusian theory of population and it never dawned on him that his own theory of rent was to serve as the basis of this monstrosity. Anderson reasoned that the rise in corn prices in England between 1750 and 1801 as compared with the years 1700 to 1750 was by no means due to the cultivation of progressively less fertile types of land, but to the influence of legislation on agriculture during these two periods.

What then did Malthus do?

Instead of his (also plagiarised) chimera of the geometrical and arithmetical progression, which he retained as a "phrase", he made Anderson's theory the confirmation of his population theory. He retained Anderson's practical application of the theory in so far as it was in the interests of the landlords—this fact alone proves that he understood as little of the connection of this theory with the system of bourgeois economy as Anderson himself. Without going into the counter-evidence which the discoverer of the theory put forward, he turned it against the proletariat. The theoretical and practical advance which could have been made from this theory was: theoretical—for the determination of the *value* of the commodity etc. and gaining an insight into the nature of landownership; practical—against the necessity of private ownership of the land, on the *basis of bourgeois production* and, more immediately, against all state regulations such as corn laws, which enhanced this ownership of land. These advances from Anderson's theory, Malthus left to Ricardo. The one practical conclusion which he drew from it was a defence of the protective tariffs which the landlords demanded in *1815*—a sycophantic service for the aristocracy and a new *justification* for the poverty of the producers of wealth, a new apology for the exploiters of labour. In this respect it was a sycophantic service for the industrial capitalists.

Utter baseness is a distinctive trait of Malthus—a baseness which can only he indulged in by a parson ||497| who sees human suffering as the punishment for sin and who, in any ease, needs a "vale of tears on earth", but who, at the same time, in view of the living he draws and aided by the dogma of predestination, finds it altogether advantageous to "sweeten" their sojourn in the vale of tears for the ruling classes. The "baseness" of this mind is also evident in his scientific

work. *Firstly* in his shameless and mechanical *plagiarism*. *Secondly* in the *cautious*, not *radical*, conclusions which he draws from scientific premises.

[2. Ricardo's Fundamental Principle in Assessing Economic Phenomena Is the Development of the Productive Forces. Malthus Defends the Most Reactionary Elements of the Ruling Classes. Virtual Refutation of Malthus's Theory of Population by Darwin]

Ricardo, rightly for his time, regards the capitalist mode of production as the most advantageous for production in general, as the most advantageous for the creation of wealth. He wants *production for the sake of production* and this with *good reason*. To assert, as sentimental opponents of Ricardo's did, that production as such is not the object, is to forget that production for its own sake means nothing but the development of human productive forces, in other words the *development of the richness of human nature as an end in itself*. To oppose the welfare of the individual to

this end, as Sismondi does, is to assert that the development of the species must be *arrested* in order to safeguard the welfare of the individual, so that, for instance, no war may be waged in which at all events some individuals perish. Sismondi is only right as against the economists who *conceal* or deny this contradiction.) Apart from the barrenness of such edifying reflections, they reveal a failure to understand the fact that, although at first the development of the capacities of the *human* species takes place at the cost of the majority of human individuals and even classes, in the end it breaks through this contradiction and coincides with the development of the individual; the higher development of individuality is thus only achieved by a historical process during which individuals are sacrificed for the interests of the species in the human kingdom, as in the animal and plant kingdoms, always assert themselves at the cost of the interests of individuals, because these interests of the species coincide only with the *interests of certain individuals*, and it is this coincidence which constitutes the strength of these privileged individuals.

Thus Ricardo's ruthlessness was not only *scientifically honest* but also a scientific *necessity* from his point of view. But because of this it is also quite immaterial to him whether the advance of the productive forces slays landed property or workers. If this progress devalues the capital of the industrial bourgeoisie it is equally welcome to him. If the development of the productive power of labour halves the value of the *existing* fixed capital, what does it matter, says Ricardo. The productivity of human labour has doubled, Thus here is *scientific honesty*. Ricardo's conception is, on the whole, in the interests of the *industrial* bourgeoisie, only because, and *in so far as* their interests coincide with that of production or the productive development of human labour. Where the bourgeoisie comes into conflict with

this, he is just as *ruthless* towards it as he is at other times towards the proletariat and the aristocracy.

But *Malthus!* This wretch only draws such conclusions from the given scientific premises (which he invariably *steals*), as will be '*agreeable*" (useful) to the aristocracy against the bourgeoisie and to both *against* the proletariat. Hence he does not want *production* for *the sake of production*, but only in so far as it maintains or extends the *status quo*, and serves the interests of the ruling classes.

Already his first work, one of the most remarkable literary examples of the success of plagiarism at the cost of the original work, had the practical purpose to provide "economic" proof, in the interests of the existing English government and the landed *aristocracy* that the tendency of the French Revolution and *its adherents in England* to perfect matters was utopian. In other words, it was a panegyric pamphlet for the *existing* conditions, against historical development and, furthermore, a justification of the war against revolutionary France.

His writings of 1815, on protective tariffs and rent, were partly means to confirm the earlier apology of the poverty of the producers, in particular, however, to defend reactionary landed property against 'enlightened' "literal" and "progressive" capital and especially to justify an intended *retrogressive* step in English legislation in the interests of the aristocracy against the industrial bourgeoisie. Finally, ||498| his Principles of *Political* Economy directed *against* Ricardo had essentially the purpose of reducing the absolute demands of 'industrial capital" and the laws under which its productivity develops, to the 'desirable limits" "favourable" to the existing interests of the landed aristocracy, the "Established Church" (to which Mal-thus belonged), government pensioners and consumers of taxes. But when a man seeks to *accommodate* science to

a viewpoint which is derived not from science itself (however erroneous it may be) but from *outside, from alien, external interests*, then 1 call him "base".

It is not a base action when Ricardo puts the proletariat on the same level as machinery or beasts of burden or commodities because (from his point of view) their being purely machinery or beasts of burden is conducive to "production" or because they really are mere commodities in bourgeois production. This is stoic, objective, scientific. In so far as it does not involve *sinning* against his science, Ricardo is always a philanthropist, just as he was in *practice* too.

The parson Malthus on the other hand, reduces the worker to a beast of burden for the sake of production and even condemns bin to death from starvation and to celibacy. But when these same demands of production curtail the landlord's "rent" or threaten to encroach on the 'tithes" of the Established Church, or on the interests of the "consumers of taxes"; and also when that part of the industrial bourgeoisie whose interests stand in the way of progress is being sacrificed to that part which represents the advance of production—and therefore whenever it is a question of the interests of the aristocracy against the bourgeoisie or of the conservative and stagnant bourgeoisie against the progressive—in all these instances "parson" Malthus does not sacrifice the particular interests to production but *seeks*, as far as he can, to sacrifice the demands of production to the particular interests of existing ruling classes or sections of classes. And to this end he *falsifies* his scientific conclusions. This is his *scientific* baseness, his sin against science, quite apart from his shameless and mechanical plagiarism. The scientific conclusions of Malthus are '*considerate*" towards the ruling classes in general and towards the reactionary elements of the ruling classes in particular; in other words he *falsifies* science for these interests, But his conclusions

are *ruthless* as far as they concern the subjugated classes. He is not only *ruthless;* he *affects* ruthlessness; he takes a cynical pleasure in it and *exaggerates* his conclusions in so far as they are directed against the poor wretches, even *beyond* the point which would be scientifically justified from his point of view.*

The hatred of the English working classes for Malthus—the "*mountebank-parson*" as Cobbett *rudely* called him (Cobbett, though England's greatest *political* writer of this century, lacked the Leipzig professorial scholarship and was a pronounced enemy of the "learned language")—was thus fully justified and the people's instinct was correct here, in that they felt he was no *man of science*, but a bought advocate of their opponents, a shameless sycophant of the ruling classes.

The inventor of an idea may exaggerate it in all honesty; when the plagiarist exaggerates it, he always makes "a business" of such an exaggeration.

Because the first edition of Malthus's work *On Population* contains not a single *new* scientific *word*, it is to be regarded purely as an obtrusive Capuchin's sermon, an Abraham a Santa Clara version of the discoveries of Townsend, Steuart, Wallace, Herbert etc. Since in fact it only wants to impress by its *popular* form, *popular* hate rightly turns against it.

As compared to the wretched bourgeois economists who preach harmony, Malthus's only merit lies in his pointed emphasis on the disharmonies, which, though none of them were *discovered* by him were all emphasised, amplified and publicised by him with complacent sacerdotal cynicism.

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||499| *Charles Darwin*, in the introduction to his *On the Origin of Species by Means of Natural Selection, or the Preservation of Favoured Races in the Struggle for Life* (5th thousand), London, 1860, says the following:

> "In the next chapter the *Struggle for Existence* amongst all organic beings throughout the world, which inevitably follows from the high geometrical ratio of their increase, will be treated of. This is the doctrine of *Malthus* applied to the whole animal and vegetable kingdoms" (pp. 4-5).

In his splendid work, *Darwin* did not realise that by discovering the "geometrical" progression in the animal and plant kingdom, he *overthrew* Malthus's theory. Malthus's theory is based on the fact that he set Wallace's geometrical progression of man against the chimerical "*arithmetical*" progression of animals and plants. In Darwin's work, for instance on the extinction of species, we also find quite apart from his fundamental principle) the detailed refutation, based on natural history, of the Malthusian theory. But in so far as Malthus's theory rests upon Anderson's theory of rent, it was refuted by *Anderson himself*. |499||

[3. Roscher's Falsification of the History of Views on Ground-Rent. Examples of Ricardo's Scientific Impartiality. Rent from Capital Investment in Land and Rent from the

Exploitation of Other Elements of Nature. The Twofold Influence of Competition]

||499| Anderson's first publication, in which he develops the theory of rent as a by-product, was a *practical* polemic, not on rent but on protection. It appeared in 1777 and its very title, An *Enquiry into the Nature of the Corn Laws, with a View to the New Corn Bill Proposed for Scotland*, Edinburgh, 1777, shows firstly, that it pursues a practical purpose, secondly, that it is related to an imminent act of legislation, in which the interests of the manufacturers and the landlords are diametrically opposed.

The law of 1773 (in England; to be looked up in McCulloch's *Catalogue*), was due (so it appears) to be introduced into Scotland in 1777 (see in the Museum).

> "The law of 1773 was constructed," says Anderson, wilt the "*avowed* intention of lowering the price of corn to our manufacturers, by encouraging the importation of corn from abroad[a] for the purpose of feeding[b] our own people at a cheaper rate." James Anderson, *A Calm Investigation of the Circumstances that have led to the Present Scarcity of Grain in Britain*, London, 1801, p. 50.)

Thus Anderson's publication was a polemic on behalf of the interests of the agriculturists (protection) (inclusive of the landlords) against the interests of the manufacturers. And he published it "avowedly" as such a partisan piece of writing. The theory of rent comes in here only incidentally. In his later writings which are to a greater or lesser degree continuously concerned with

this *battle of interests* he merely repeats the theory of rent once or twice in passing. He never pretends to a scientific interest in it and it does not even become an *independent* subject in his presentation. Accordingly one may judge the correctness of the following remarks of *Wilhelm Thukydides Roscher* who was evidently *not* acquainted with Anderson's writings:

> "Remarkable, how a doctrine which in 1777 remained *almost* unnoticed, was immediately defended and attacked with the greatest interest in 1815 and the following years because it touched upon the contradiction between monied and landed interest which had meanwhile so sharply developed." (*Die Grundlagen der Nationalökonomie*, 3rd edition, 1858, pp. 207-98.)

This sentence contains as many falsehoods as words. *Firstly*, unlike West, Malthus and Ricardo, Anderson did not put forward his opinion as a "*doctrine*". *Secondly*, it remained not '*almost*", but "*entirely*" unnoticed. *Thirdly*, it first came in incidentally in a work whose *s o l e purpose* it was to deal with the contradiction between manufacturers and landlords—a contradiction which was considerably developed in 1777 and the 'work only "touched upon" this practical battle of interests and left "untouched" the general ||500| theory of political economy. *Fourthly*, in 1815 one of the reproducers of this theory, Malthus, expounded it just as much in support of the corn laws as Anderson had done. *The same* doctrine was used *in support* of landed property by its discoverer and [by] Malthus, but was turned *against* landed property by Ricardo. Thus, at most, one might say that some of those who put it forward were *defending* the interests of landed property while others who put it forward *fought those same* interests, but one could not say that this theory was attacked by the defenders of landed property in 1815 (for Malthus defended it *before* Ricardo), or that it was *defended* by the attackers of landed property for Ricardo did not have

to “defend” this theory against Malthus, since he himself regarded Malthus as one of its discoverers and as his own forerunner. He only had to “combat” the practical conclusions that were drawn by Malthus). *Fifthly*, the contradiction between “*monied*” and “*landed interest*”, ‘touched upon” by Wilhelm Thukydides Roscher had up to that moment, *absolutely nothing* to do either with Anderson’s theory of rent or with its reproduction, defence and attack. As Wilhelm Thukydides could have gathered from John Stuart Mill (*Essays on Some Unsettled Questions of Political Economy*, London, 1844, pp. 109-10), by “monied class” the Englishman understands l. the money-lenders; and 2. these money-lenders are people who either live altogether on interest or are *money-lenders by profession*, such as bankers, bill-brokers etc. Mill also observes that all these people who form the “monied class” are opposed to, or at any rate are distinct from, the “*producing class*” (by which Mill understands “industrial capitalists” besides the working men). Hence Wilhelm Thukydides should see that the interests of the “producing class”, including the manufacturers, the industrial capitalists, and the interests of the monied class are two very different matters and that these classes are different classes. Furthermore, Wilhelm Thukydides should see that a battle between the industrial capitalists and the landlords was thus by no means a battle between the “*monied* interest” and the “*landed* interest”. If Wilhelm Thukydides knew the history of the corn laws of 1815 and the struggle over these, then he would already have known from Cobbett that the borough-mongers (landed interest) and the loan-mongers (monied interest) combined against the industrial interest. But Cobbett is “crude”. Furthermore, Wilhelm Thukydides should know from the history of 1815 to 1847 that in the battle over the corn laws, the majority of the monied interest and some even of the commercial interest (Liverpool for instance)

were to be found amongst the *allies* of the landed interest against the manufacturing interest. |500||

||502| (At most Herr Roscher might have been surprised that *the same* "doctrine" served *in favour* of "landed interest" in 1777 and *against* it in 1815 and that it caused a stir only *then*. |502||

||500| If I were to elucidate in equal detail all similar gross falsifications of history which Wilhelm Thukydides commits in his literary historical notes, then I would have to write as fat a volume as his *Grundlagen*, and indeed, such a work would not be worth the paper it was written upon". But the harmful effects which such learned ignorance as that of a Wilhelm Thukydides can have on researchers in other fields of knowledge, can be seen in the example of Herr *Adolf Bastian*. In his work *Der Mensch in der Geschichte*, 1860, Vol. I, p. 374, Note, he quotes the above sentence of Wilhelm Thukydides as documentary proof for a "psychological" assertion. Incidentally, one cannot say of Bastian that "*materiam superabat opus*"[c]. Rather, in this case, the "opus" does not master its own raw material. Besides, I have found out through the few sciences which I "know", that Herr *Bastion* who knows "*all*" sciences, very often relies on such authorities as Wilhelm Thukydides, which is in any case unavoidable in a "pantologist'.

||501| I hope I shall not be accused of "unkindness" towards Wilhelm Thukydides. Note the "unkindness" with which this pedant himself treats science! Anyhow, I have the same right to speak of his "total untruths" as he has to speak in his self-satisfied and condescending manner of Ricardo's "half-truths". Furthermore, Wilhelm Thukydides is by no means "honest" in his research and cataloguing. Anyone who is not "respectable" does not exist for him historically either. For instance, Rodbertus does not exist for him as a theoretician of rent because he is a

‘communist”. Besides, Wilhelm Thukydides is also inaccurate when it comes to “respectable writers”. For instance, Bailey exists for McCulloch, who even regards his work as epoch-making. For Wilhelm Thukydides he does not exist. If the *science* |502| of political economy is to he furthered and popularised in Germany, people like Rodbertus should found a journal which would be open to all scholars (not pedants, prigs and vulgarisers) and whose main purpose it would be to demonstrate the ignorance of the specialists in the science itself as well as in its history. |502||

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||501| Anderson was in no way concerned with any inquiry into the relationship of his theory of rent to the system of political economy. This is not in the least surprising, since his first book appeared one year after Adam Smith’s *Wealth of Nations*, i.e., at a moment when the “system of political economy” was only first being consolidated, for Steuart’s system too had only appeared a few years before, But so far as the material is concerned, which Anderson *examined, within the confines of the specific subject he was considering, this was decidedly more extensive than Ricardo’s.* Just as in his theory of money, the reproduction of Hume’s theory, Ricardo specifically only took into account the events from 1797 to 1809, so in the theory of rent, the reproduction of Anderson’s theory, he considered only the economic phenomena relating to the rise in corn prices between 1800 and 1815.

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The following paragraphs are very important because they clearly reflect Ricardo’s character:

> “I shall [...] greatly regret that *considerations for any particular class*, are allowed to cheek the progress of the wealth

> and population of he country." (David Ricardo, *An Essay on the Influence of a Low Price of Corn on the Profits of Stock*, second edition, London, 1815, p. 49.)

With free import of corn, "*land is abandoned*" (l.c., p. 46). In other words landed property is sacrificed to the development of production.

In connection with the free import of corn (he writes) however:

> "That *some capital would be lost* cannot be disputed, but *is the possession or preservation of capital* the end, or the means? The means, undoubtedly. What we want is an *abundance of commodities*" (wealth in general) "and if it could he proved that by *the sacrifice of a part of our capital we should augment the annual produce* of those objects which contribute to our enjoyment and happiness we ought not [...] to repine *at the loss of a part of our capital*," David Ricardo, *On Protection to Agriculture*, 4th ed., London, 1822, p. 60.)

Ricardo terms as "*our capital*" that capital which belongs neither to *us* nor to *him* but which has been permanently invested in the land *by the capitalists*. But *we* signifies a cross-section of the nation. The increase in "*our*" wealth is the increase in *social* wealth, which is an end as such, irrespective of who are the participants in this wealth!

> "To an individual with a capital of £20,000, whose profits were £2,000 per annum, it would be a mailer quite indifferent whether his capital would employ a hundred or a thousand men, whether the commodity produced, sold for £l0,000, or for £20,000, provided, in all cases, his profits were not diminished below £2,000. Is not the real interest of the nation similar? Provided its net real income, its rent and profits be the same, it is of no importance whether the nation consists of ten or of twelve millions of inhabitants." (David Ricardo, *On*

the Principles of Political Economy, and Taxation, third edition, London, 1821, p. 416.)

Here the "proletariat" is sacrificed to wealth. In so far as it is irrelevant to the existence of wealth, its existence is a matter of indifference to wealth. Here mass—mass of human beings— is worth nothing. These three instances exemplify ||502| Ricardo's scientific impartiality.

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{The element *in which* the capital employed in agriculture is invested, is *the soil (nature*) etc. Hence rent is here equal to the excess of the *value* of the product of labour created in this element, *over* its average price. If, on the other hand, an element of nature (or material) which is privately owned by an individual, is employed *in* another sphere of production whose (physical) basis it does not form, then the rent, if it only comes into being through the employment of this element, cannot consist in the excess of the *value* of this product over the average price, but only in the excess of the *general* average price of this product over its *own overage price*. For instance, a waterfall may replace the steam-engine for a manufacturer and save him consumption of coal. While in possession of this waterfall, he would, for instance, constantly be selling yarn above its overage *price* and making an excess profit. If the waterfall belongs to a landowner, this excess profit accrues to him as rent. In his hook on rent, Mr. Hopkins observes that in Lancashire the waterfalls not only yield rent but, according to the degree of the natural motive power, they yield *differential rent*. Here rent is purely the excess of the *average market-price* of the product over its *individual average price*.} |502||

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||502| {In *competition* there are two distinct movements towards equalisation. Capitals *within* the same sphere of production equalise the prices of the commodities produced *within* this sphere to the same *market-price*, irrespective of the relationship of the value of these commodities to this price. The *average market-price* should *equal* the *value* of the commodity, [were] it not for the equalisation between *different* spheres of production. As between these different spheres, competition equalises the va1ues to the *average prices*, in so far as the reciprocal interaction of the capitals is not hampered, disrupted by a third element—landownership, etc.}

[4. Rodbertus's Error Regarding the Relation Between Value and Surplus-Value When the Costs of Production Rise]

Rodbertus is altogether mistaken when he thinks that because one commodity is *dearer* than another, thus realising more labour-time, it must therefore—given the same *rate of surplus-value or the equal exploitation of the workers* in *the different spheres—also* contain more *unpaid* labour-time, *surplus labour-time*. If *the same* labour yields 1 quarter on unfertile land and 3 on fertile (in a good or a had year alike); if the same labour yields 1 oz of gold in land very rich in gold whereas in less rich or exhausted land it yields only $^{1}/_{3}$ oz; if the same labour-time which produces 1 lb. of wool spins 3 lb. of wool, then, to begin with, the values of the 1 quarter and the 3 quarters, of the 1 oz of gold and the $^{1}/_{3}$ oz, of the 1 lb.

of wool and the 3 lbs. of woollen yarn (minus the value of the wool it contains) are of equal magnitude. They contain equal quantities of labour-time, therefore, according to the assumption, *equal quantities* of surplus labour-time. True, the quantity of surplus-labour embodied in the 1 quarter [grown on unfertile land] is greater, but then it is only 1 quarter whereas in the other case it is 3 quarters, or 1 lb. of wool whereas in the other case it is 3 lbs. of woollen yarn (minus the value of the material). The *volume* [of surplus-labour] is therefore the same, and the *proportional quantity of surplus-value*, comparing the individual commodities one with another, [is] also equal. According to the assumption, the amount of labour contained in the 1 quarter or the 1 lb. of wool, is the same as that contained in the 3 quarters or the 3 lbs. of yarn. The capital laid out in wages is therefore greater to exactly the same degree as the surplus-value. The 1 lb. of wool contains three times as much labour as the 1 lb. of yarn. Though the surplus-value is three times as great, the capital laid out in wages on which it is based is also three times as great. The proportion thus remains *the some*.

Rodbertus calculates quite wrongly here, or wrongly compares the capital laid out in wages with the ||503| greater or lesser quantity of commodities which these wages represent. But this calculation is completely wrong, if, as he presupposes, wages or the rote of surplus-value are given, The same quantity of labour, say, 12 hours, may result in x or $3x$ commodities. In one case, $1x$ commodities contain as much labour and surplus-labour as $3x$ in the other; but in no case would more than 1 working-day be spent and in no case would the rate of surplus-value be more than, say, $^1/_5$. In the first instance $^1/_5$ of the one x would be x to as in the second $^1/_5$ of the $3x$ would be to $3x$. And if we were to call each of the three x: x', x'', x''' then there would be $^4/_5$ paid and $^1/_5$ unpaid labour in each x', x'' x'''. It is quite right, on

the other hand, that if just as much commodity were to be produced under the unproductive conditions as under "more productive, the commodity would contain more labour and so also more surplus-labour. But then, proportionately, a greater capital would also have to be laid out. In order to produce 3*x*, three times as much capital would have to he laid out (in wages) as is required to produce 1*x*.

Now it is true that manufacture cannot work up more raw material than agriculture supplies. Thus, for instance, it cannot spin more pounds of wool than have been produced. If the productivity in wool spinning is trebled, then, provided the conditions of the production of wool remained the *same*, three times as much time as previously would have to he spent, three times as much capital would have to be expended on labour in wool production, whereas only the *same* amount of the spinners' labour-time would be required to spin up this trebled quantity of wool. But the *rate* [of surplus-value] would remain the same. The same spinning labour would have the same value as before and contain the same surplus-value. The wool-producing labour would have a *trebled* surplus-value but the labour embodied in it, or the capital advanced in wages, would accordingly have trebled as well. The three times greater surplus-value would thus be calculated on a three times greater capital. But *this is no reason* for saying that the rate of surplus-value is 10wer in spinning than in wool production. One would only say that the capital laid out in wages is three times as great in one as in the other (since it is assumed here that the changes in the spinning and in the production of wool are not due to any change in their constant capital).

It is necessary to make a distinction here. The same labour plus constant capital gives a smaller *output* in an unfavourable than a favourable season, in unproductive than in productive soil, in a poorer than in a richer

mine. In the former case the *product* is thus dearer, contains *more* labour and more *surplus-labour* in the same number of products. But in the latter case, the number of these products is the greater. Furthermore, the *ratio* between paid and unpaid labour in each individual product in the two categories is not affected by this, for though the individual product contains less unpaid labour, according to the assumption, it also contains less paid labour in the same proportion. For it has been assumed here that there is no change in the proportions of the organic component parts of capital—*of variable and constant capital. It is assumed that the same amount of variable and constant capital* supplies *varying, greater or smaller, quantities of product* under varying conditions.

Herr Rodbertus appears to confuse this all the time, and as a matter of course to conclude from the mere increase in the price of the product that it contains a *greater surplus-value*. As to the *rate*, this is wrong even according to the assumption. As to the total, however, it is only right if more capital is advanced in one case than in the other, that means if as much is produced now of the dearer product as previously of the cheaper or if the increased quantity of the cheaper product (as above with spinning) presupposes a correspondingly increased quantity of the dearer product.

[5. Ricardo's Denial of Absolute Rent—a Result of His Error in the Theory of Value]

||504| That rent, hence also the value of land, can rise, although the *rate of rent* remains the same or even decreases, that therefore the productivity of agriculture also increases—this Ricardo sometimes forgets, though he knows it. Anyhow, Anderson knows it and Petty and D'Avenant already knew it. That is not the question.

Ricardo abstracts from *the question of absolute rent* which he *denies on theoretical grounds* because he starts out from the *false* assumption that if the value of commodities is determined by labour-time, the *average prices of commodities must equal their values* (which is why he comes to the wrong practical conclusion. that competition from more fertile types of land must throw the less fertile out of cultivation, even if they bore rent previously). If *values* of commodities and *average prices* of commodities were identical then absolute rent—i.e., rent on the worst cultivated land or on that *originally* cultivated—would be equally impossible. What is the *average price* of the commodity? The total capital (constant plus variable) laid out in its production plus the labour-time contained in the average profit, say 10 per cent. Supposing, that a capital produced a *higher value* than the *average price*, just because it was operating in a *particular* element, an element of nature, say land, then the value of this commodity would be *above* its value and this *excess value* would contradict the conception of value being equal to a certain quantity of labour-time. An element of nature, something heterogeneous from social labour-time would he *creating* value. But this cannot be. Hence capital invested in land pure and simple *cannot* bear a *rent*. The worst land is land *pure and simple*. If the *better* land bears a rent, then this only shows that the difference between the *individually necessary* labour and that which is *socially necessary* becomes permanently established in agriculture because it has a

natural basis, whereas in industry it is constantly disappearing.

Absolute rent cannot be permitted to exist, but only *differential rent*. To admit the existence of absolute rent would be to admit that *the same quantity of labour* (materialised, laid out in constant capital and bought with wages) creates *varying values* according to the element in which [the labour is expended] or according to the material which it works up. But if one admits this *diversity in value* although in each sphere of production *the same* amount of labour-time materialises itself in the product, then one admits that *value is not determined by labour-time* but by something heterogeneous. These different *magnitudes of value* would invalidate the concept of value, they would invalidate the proposition that the substance of value is social labour-time, hence its differences can only be quantitative and these quantitative differences can only be equal to the differences in the amounts of social labour-time applied.

The maintenance of *value—the* determination not only of the amount of value by the varying amount of labour-time, but also of the substance of value by social labour—thus requires the *denial of absolute rent*. The denial of absolute rent can, however, be expressed in two ways.

Firstly. The *worst* land cannot bear a rent. The rent from the better types of land can be explained as arising from the market-price which is the same for products which have been produced on more favourable types of land as for those which have been produced on less favourable. But the worst land *is land pure and simple*. It is not differentiated in itself. It differs from industrial capital investment only in that it is a *special* sphere of capital investment. If it bore a rent then this would arise from the fact that the *same quantity of labour* would produce *different values*, if applied

in *different spheres of production;* this means that the quantity of labour in itself does not determine the value, and products which contain the same amount of labour are not equal [in terms of value].

||505| [*Secondly*.] Or one might say that the *land which was cultivated originally* must not bear rent. For what is the originally cultivated land? The land which is "originally' cultivated is neither better nor worse land; it is land pure and simple. Undifferentiated land. Originally, capital investment in agriculture can only differ from investment in industry because of the *spheres* in which these capitals are invested. But since equal quantities of labour are represented in *equal values*, there is absolutely no reason why the capital invested in land should yield a rent in addition to profit, unless *the same* quantity of labour applied in this *sphere* produced a higher value, so that the excess of this value over the value yielded in manufacture would produce an excess profit, equal to rent. But this would amount to saying that the land as such creates value, thus invalidating the concept of value itself.

The land which is cultivated *originally* therefore cannot *originally* bear a rent, if the whole theory of value is not to he discarded. Furthermore, this ties up very easily (*although not necessarily*, as Anderson shows) with the idea that *originally* people of course chose not the worst but rather the best land for cultivation, With the advance of civilisation and population, the land which originally hears no rent, does so at a later stage, because people are forced to descend to worse types of land and thus in this descent to Avernus, to ever worse land, rent must arise on the *originally cultivated, most fertile land*. And then, step by step, on the land which follows it, while the *worst land* which always represents simply land—the *particular* sphere of capital investment—never bears a rent. All this has a more or less logical coherence.

If, on the other hand, one knows that average prices and values are not identical, that the average price of a commodity may be either equal to its value or bigger or smal1er, then the question, the problem itself, disappears and with it also the *hypotheses* for its solution. The only remaining question is why, in agriculture, the *value* of the *commodity*, or at any rate its *price*, is *above its average price* though not *above* its *value*. But this question no longer bears any relation to the fundamentals of the theory, the determination of value as such.

Ricardo knows of course that the "*relative* values" of commodities are modified according to the varying proportion of fixed capital and capital laid out in wages, which enter into their production. <But these are not opposites; fixed capital and circulating capital are opposites, and circulating capital comprises not only wages but also raw materials and auxiliary materials. For example, the same ratio may exist between capital laid out in wages and fixed capital in the mining and fishing industries, as between that laid out in wages and in raw materials in tailoring.> But Ricardo also knows that these relative values are equalised by competition. In fact he only makes the differentiation, so that *the same average profit* should result from these different capital investments. In other words these *relative* values of which he speaks are only the *average prices*. It does not even occur to him that *value* and *average price* are different. He only gets as far as their *identity*. Since however this identity *does* not *exist* when the ratio of the organic component parts of capital varies, he accepts it as an unexplained fact brought about by competition. Hence too, he does not come up against the question: Why do the values of agricultural products not equalise in average prices? ||506| On the contrary he assumes that *they do so* and poses the problem from that point of view.

It is quite incomprehensible why fellows á la Wilhelm Thukydides should be so ardently for Ricardo's theory of rent. From *their* point of view, Ricardo's "half truths", as Thukydides condescendingly calls then, lose their *whole* value.

For Ricardo the problem only exists because value is determined by labour-time. With those fellows this is not the case. According to Roscher, nature *as such* has value. See Later. In other words, he has absolutely no idea what value is. What prevents him therefore from allowing the *value of land* to enter into production costs from the outset and to form the rent; what prevents him from presupposing the value of land, i.e., rent as an explanation for rent?

With these fellows, the phrase "production costs" is meaningless. We see this with Say. The value of the commodity is determined by the costs of production, capital, land, labour. But these are determined by demand and supply. In other words, no determination is taking place. Since the land performs productive "services", why should not the price of these "services" be determined by demand and supply, just as the services performed by labour or capital? And since the "land services" are in the possession of certain sellers, why should their article not have a market-price, in other words why should not rent exist as an element of price?

One can see how lime reason Wilhelm Thukydides had for getting so well-meaningly "vexed" over the Ricardian theory.

[6. Ricardo's Thesis on the Constant Rise in Corn

Prices. Table of Annual Average Prices of Corn from 1641 to 1859]

But apart from absolute rent, the following question remains for Ricardo:

The population grows and with it the demand for agricultural products. Therewith their price rises, as happens in similar cases in industry. But in industry, this rise in price ceases as soon as demand has become effective and brought about an increased supply of commodities. The product now falls to the old, or rather below the old, level of value. But in agriculture this *additional product* is thrown on to the market neither at the same price nor at a 1ower price. *It costs more* and effects a constant rise in market-prices and along with that, a raising of rent. How is this to be explained if not by the fact that ever less fertile types of land are being used, that ever more labour is required in order to produce the same product, that agriculture becomes progressively more sterile? Why, apart from the influence of the depreciation [of money], did agricultural products rise in England from 1797 to 1815 with the rapid development of the population? That they fell again later proves nothing. That supplies from foreign markets were cut off proves nothing. On the contrary. This in fact created the *right* conditions for demonstrating the effect of the law of rent as such. For it was the very cutting off of foreign supplies which forced the country to have recourse *to ever less fertile land*. This cannot be explained by an *absolute increase* in rent, because not only did the rental rise but also the rate of rent. The quarter of wheat, etc. rose in price.

It cannot be explained by *depreciation* because although this might well explain why, with greater productivity in industry, industrial products fell, hence why the relative price of agricultural products rose, it would not explain why *in addition* to this *relative rise*, the prices of agricultural products were continuously rising absolutely. Similarly, it cannot be explained as a *consequence* of the fall in the rate of profit. This would *never* explain a change in *prices*, but only a *change* in the distribution of value or of *price* between landlord, manufacturer and worker.

So far as *depreciation* is concerned, assume that £ 1 now equals £2. A quarter of wheat which was previously equal to £2 is now equal to £4. If the industrial product fell to $^{1}/_{10}$, and previously its value was 20s., then it would be now 2s. But these 2s. are now equal to 4s. True, depreciation could have something to do with this, the poor harvests as well.

||507| But quite apart from all this it can he assumed that, considering the *state of agriculture at that time, unfertile* land (for wheat) was being cultivated. The sane land was later fertile, in that the rate of differential rents decreased, as is proved by the best barometer, namely, wheat prices.

The highest prices [occur in the years] 1800 and 1801 and 1811 and 1812; the first were years of poor growth, the second, [years] of the peak of depreciation. Similarly 1817 and 1818 were years of depreciation. But if these years are omitted, probably (to be checked up later) what was left would give the average price.

In comparing wheat prices etc. in different periods, it is at the same time important to compare the *amounts produced at* so much per quarter, because this shows to what extent the additional production of corn influences the price.

I

Average Wheat Prices

	Yearly average price	Highest price	Lowest price
1641-1649	60s. $5^{2}/_{3}$d.	[75s. 6d. (1645)]	[42 s. 8d. (1646)]
1650-1659	45s. $8^{9}/_{10}$d.	63s. 1d. (1650)	23s. 1d. (1651)
1660-1669	44s. 9d.	65s. 9d. (1662)	32s. 0d. (1666 & 1667)
1670-1679	44s. $8^{9}/_{10}$d.	61s. 0d. (1674)	33s. 0d. (1676)
1680-1689	35s. $7^{8}/_{10}$d.	41s. 5d. (1681)	22s. 4d. (1687)
1690-1699	50s. $^{4}/_{10}$d.	63s. 1d. (1695)	30s. 2d. (1691)

If we fake the period 1650 to 1699 then (yearly) average price for these 50 years is 44s. $2^{1}/_{5}$d.

During the period (9 years) from 1641 to 1649, the biggest yearly average price is 75s. 1d. for 1649, year of the revolution, then 71s. 1d. for 1649, 65s. 5d. for 1847 and the lowest price, 42s. 8d. for 1646.

II

	Yearly average price	The highest	and lowest
		prices in each decennial period	
1700-1709	35s. $^{1}/_{10}$d.	69s. 9d. (1709)	25s. 4d. (1707)
1710-1719	43s. $6^{7}/_{10}$d.	69s. 4d. (1710)	31s. 1d. (1719)
1720-1729	37s. $3^{7}/_{10}$d.	48s. 5d. (1728)	30s. 10d. (1723)
1730-1739	31s. $5^{5}/_{10}$d.	58s. 2d. (1735)	23s. 8d. (1732)

1740-1749	31s. $7^{9}/_{10}$d.	45s. 1d. (1740)	22s. 1d. (1743 & 1744)

Average price (yearly) for the 50 years [from] *1700 to 1749:* 35s. $9^{20}/_{50}$ d.

||508| III

	Yearly average price	The highest	and lowest
		prices in each decennial period	
1750-1759	36s. $4^{5}/_{10}$d.	53s. 49d. (1757)	28s.10d. (1750)
1760-1769	40s. $4^{9}/_{10}$d.	53s. 9d. (1768)	26s. 9d. (1761)
1770-1779	45s. $3^{2}/_{10}$d.	52s. 8d. (1744)	33s. 8d. (1779)
1780-1789	46s. $9^{2}/_{10}$d.	52s. 8d. (1783)	35s. 8d. (1780)
1790-1799	57s. $6^{5}/_{10}$d.	78s. 7d. (1796)	43s. 0d. (1792)

Yearly average for the 50 years [from] 1760 to 1799: 45s. $3^{13}/_{50}$ d.

IV

	Yearly average price	The highest	and lowest
		yearly average prices in each decennial period	
1800-1809	84s. $8^{5}/_{10}$d.	119s. 6d. (1801) 113s. 10d. (1800)	58s. 10d. (1803)
1810-1819	91s. $4^{8}/_{10}$d.	126s. 6d. (1812) 109s. 9d. (1813) 106s. 5d. (1810)	65s. 7d. (1815) 74s. 4d. (1814) 74s. 6d. (1819)

1820-1829	58s. $9^{7}/_{10}$d.	68s. 6d. (1825)	44s. 7d. (1822)
1830-1839	56s. $8^{5}/_{10}$d.	66s. 4d. (1831)	39s. 4d. (1835)
1840-1849	55s. $11^{4}/_{10}$d.	69s. 5d. (1847)	44s. 6d. (1849)
1850-1859	53s. $4^{7}/_{10}$d.	74s. 9d. (1855)	40s. 4d.(1850)

Yearly average for the 50 years [from] 1800 to 1849: 69s. 6 $^{9}/_{50}$ d.

Yearly average for the 60 years [from] 1800 to 1859: 66s. $9^{14}/_{15}$d.

Hence yearly average

1640-1649	60s $5^{2}/_{3}$d.
1650-1699	44s. $2^{1}/_{5}$d.
1700-1749	35s. $9^{29}/_{50}$d.
1750-1799	45s. $3^{13}/_{50}$d.
1800-1849	69s. $6^{9}/_{50}$d.
1850-1859	53s. $4^{7}/_{10}$d

* * *

West says himself:

> "...in an improved state of agriculture produce may be raised on the second or third quality of land at the little cost as it could under the old system upon the first quality." (Sir Edward West, *Price of Corn and wages of Labour, London*, 1826, p. 98.)

[7. Hopkins's Conjecture about the Difference Between

Absolute Rent and Differential Rent; Explanation of Rent by the Private Ownership of Land]

Hopkins grasps correctly the difference between *absolute* and *differential rent:*

> "The principle of competition, which renders it impossible, that there should be two rates of profit in the same country [...], does [...] determine[...] their[d] [..] *relative rents*..." but not the *general average of rent***[e]**. (Thomas Hopkins, *On Rent of Land, and Its Influence on Subsistence and Population*..., London, 1828, p. 30.)

||508a| *Hopkins* makes the following distinction between productive and unproductive labour or, as he says, between primary and secondary:

> "If *all* labourers were employed for the same end, or object, as the diamond cutter and the opera singer, in a short time there would be no *wealth* to subsist them because *none* of the *wealth produced would then become capital*. If a considerable proportion were so employed, wages would be low; be cause, but a comparatively small part of what was produced would be used as capital;—but if only a few of the labourers were so employed, and of course, nearly all were ploughmen, shoemakers, weavers, etc. [..., then much capital would be produced and wages *would***[f]** be proportionally high" (l.c., pp. 84-85). "With the diamond cutter and the singer, must be classed all those who labour for the landlords, or annuitants, and who receive a part of their income as wages: all, in fact, whose labours *terminate* merely in producing those things which gratify landlords and annuitants, and who receive in return for their labours, a

> part of the rent of the landlord, or of the income of the annuitant. These are all productive labourers, but all their labours are for the purpose of converting wealth which exists, in the shape of rents and annuities, into some other form, that shall, in that other form, more gratify the landlord and annuitant, and therefore they are *secondary* producers. All other labourers are *primary* producers"(l.c., p. 85.)

Diamonds and song are both congealed labour and can—like all commodities—be converted into *money* and as *money* into capital. But in this transformation of money into capital we must distinguish two things. All commodities can be converted into money and as money into capital, because in the form of *money* their use-value and their particular natural form become extinct. They are materialised labour in that social form in which it is exchangeable for any real labour, therefore convertible into any form of real labour. On the other hand, whether the commodities which are the product of labour can as such become elements of productive capital once again, depends on whether the nature of their use-values permits them to re-enter the process of production—be it as objective conditions of labour (tools and material) or as subjective conditions (means of subsistence of the worker), (in other words [as] elements of constant or of variable capital).

In Ireland, according to a moderate estimate and the census of 1821, the whole net produce which goes to the landlords, the government and the tythe-owners, amounts to £20 3/4 million, the whole wages, however, only to £14,114.000.[g]

> "The cultivators" in Italy "generally paying from one-half to more than one-half of the produce as rent to the landlord, with moderate skill in agriculture, and a scanty supply of fixed capital. The greater part of the population is [...] composed of secondary producers and

> proprietors,[h] and generally the primary producers are a poor and degraded class" (l.c., pp. 101-102).

The same was the case in France under Louis XIV [XV and XVI]. According to Young, rent, tythes and taxes amounted to £140,905,304. Cultivation moreover was very poor. The population of France, at this time, is stated to have been 26,363,074. Now" if there had been "six millions of labouring families (which is too high a figure), each family would have had to furnish annually, either directly or indirectly, an average of upwards of £23 of net wealth to the landlords. The church and the government.[i] According to Young, and taking into account various other factors, the laboring family "produced annually £42 lOs.; £23 of which were paid away to others, and £19 lOs. remained to subsist itself" (l.c., pp. 102-04).

The Dependence of Population on Capital.

> "The error of Mr. Malthus and his followers is to be found in the assumption, that a reduction of the labouring population would not be followed by a correspondent reduction of capital"(l.c., p.l18.) "...Mr. Malthus" forgets "that this demand [for labourers is] limited by the means of paging wages and" that "these means do not arise spontaneously, but are always previously created by labour" (l.c., p. 122).

This conception of the accumulation of capital is correct. But the means can grow, i.e., the quantity of surplus produce or surplus-labour can grow, without a proportionate growth in the quantity of labour.

"It is somewhat extraordinary[j] that that [there is] a strong inclination [...] to represent *net* wealth as *beneficial* to the labouring class, because it gives [...] *employment* though it is evidently ||509| not on account of being *net*, that if has that power, but because it

is wealth,—that *which has been brought into existence by labour:* while, at the time,[k] an additional quantity of labour is represented as *injurious to* the labouring classes, though that labour produces three times as much as it consumes" (l.c., p. 120).

'If by the use of superior machines,[l] the whole primary produce could he raised from 200 to 250 or 300, while *net* wealth and profit took only 140, it is clear that there would remain as a fund for the wages of the primary producers 110 or 160 instead of 60" (l.c., p. 128).

> "The condition of labourers is rendered *bad* either by crippling their productive power, or by taking from them what they have produced" (l.c., p. 129).
>
> "No says Mr. Malthus 'the *weight of your burthen* has nothing whatever to do with your distress; that arises solely there being too *many persons carrying it*...'" l.c., p. 184).
>
> "In the general principle, then, that *cost of production* regulates the exchangeable value of all commodities, *original materials* are not included: but the claim which the *owners* of these have upon produce, causes *rent* to enter into value(Thomas Hopkins, *Economical Enquiries Relative to the Laws Which Regulate Rent Profit, Wages, and the Value of Money*, London, 1822, p. 11).
>
> "*Rent*, or a charge for use, arises naturally out of *ownership*, or the establishment of a *right of property*" (l.c., p. 13).
>
> "Any thing may yield a rent if possessed of the following qualifies:— First,—It must exist in a degree of scarcity. Secondly,—It must have the power to aid labour in the great work of production" (l.c., p. 14). Of course one must not take the case "...where land... [is] so plentiful, *compared with the labour* and *stock to be employed upon it* (abundance and scarcity of land are of course *relative*, and are related to the disposable quantity of labour and

capital) 'that no charge for rent could be made, because it was not scarce" (l.c., p. 21).

"The landowner[m] [...] may obtain, in some countries 50 per cent [...] in others 10 per cent.[n] In some of the fertile regions of the East, man can subsist upon one-third of the produce of his labour employed upon the land: [...] but in parts of Switzerland and Norway, an exaction of 10 per cent might depopulate the country ... we see no *natural* bounds to the rent that may be exacted, but in the limited abilities of the payers..." (l.c., p. 31), and "where[o] inferior soils exist, *the competition of those inferior soils against the superior*" (l.c., pp. 33.34).

"There is much common land in England [...], the natural fertility of which is equal to what a large part *of the land now cultivated was, prior to its being taken into cultivation;* and yet *the expence of bringing such common lands into cultivation* is so great, *as to cause them not to yield the ordinary interest for the money expended in improving them*, leaving *nothing as rent for the natural fertility of the soil:* and this [...] with all the advantages of an immediate application of labour, aided by stock skilfully applied, and furnished with manufactures cheaply produced; added to the very important circumstance, of good roads being already formed in the neighbourhood[p]... the present land proprietors may be considered *the owners of all the accumulated labour which has for ages been expending,**[q]** in bringing the country* to *its present productive state*" (l.c., p. 35).

This is a very important circumstance in relation to rent, especially when the population suddenly grows significantly, as it did from 1780 to 1815, consequent upon the advance in industry, and hence a large portion of hitherto uncultivated land is *suddenly* brought into cultivation. The newly cultivated land may be as fertile as or even more fertile than old land was, *before centuries of*

cultivation had accumulated in it. But what is demanded of the new land—if [this product] is *not* to be sold at a dearer price—is that its fertility must he equal *firstly* to the natural fertility of the cultivated ||510| land and *secondly* to the *artificial* fertility which has been engendered by cultivation, hut which has now *become* its *natural fertility*. The newly cultivated land would thus have to be much more fertile than the old had been *before* its cultivation.

But it will be said:

The fertility of the cultivated land originates in the first place from its natural fertility. Thus it depends on the natural condition of the newly cultivated land whether or not it possesses this fertility arising from and owing to nature. In either ease it costs nothing. The other part of the fertility of cultivated land is an artificial product, owing to cultivation, the investment of capital. But this part of productivity involves costs of production which are repaid as interest on the fixed capital which has been sunk into the land. This part of rent is merely interest on the fixed capital tied up in the land. Hence it enters into the costs of production of the product of the previously cultivated land. Hence only the same capital needs to be thrown into the newly cultivated land for it to obtain this second part of fertility; and as with the first, the interest on the capital which has been employed to bring forth this fertility will enter into the price of the product. Why then should it not he possible to cultivate new land—unless it is more fertile—without the price of the product rising? If the natural fertility is the same, then the difference is brought about only by the capital invested and, in both cases alike, the interest on this capital enters into costs of production to the same extent.

However, this reasoning is wrong. A portion of the *costs* of bringing the land into cultivation etc, is no longer liable to be paid for, because, as *Ricardo* has

already observed, the fertility thus created has partly coalesced with the *natural quality* of the soil (this applies to the costs of clearing, draining, levelling, the chemical change of the soil resulting from continued chemical processes etc.). Thus if [the product of] the newly cultivated land is to sell at the same price as [that of] the last cultivated land— the land must he sufficiently fertile for this *price* to cover that part of the costs of bringing it into cultivation which enters into its own costs of production but which has ceased to enter into the *costs* of the previously cultivated land, because it has coalesced with the natural fertility of the land.

"'A *stream*, favourably situated, furnishes an instance of a rent being paid for an appropriated gift of nature, of as exclusive a kind as any that can be named. This is well understood in manufacturing districts, where considerable rents are paid for small streams of water, particularly if the fall is considerable. The power obtained from such streams being equal to that afforded by large steam-engines, it is as advantageous to use them, though subject to the payment of a heavy rent, as it is to expend large sums in the erection and working of steam-engines. Of streams, too, there are some larger, some smaller. Contiguity to the seat of manufacture is also an advantage which commands a higher rent. In the counties of York and Lancaster there is probably a much greater difference between the rents paid for the smallest and the largest streams of water, than there is between the rents paid for 50 of the least and 50 of the most fertile acres that are in common cultivation" (l.c., pp. 37-38).

[8. The Costs of Bringing Land into

Cultivation. Periods of Rising and Periods of Falling Corn Prices (1641-1859)]

If we compare the average prices given earlier and deduct firstly what is due to depreciation (1809-13) and secondly what is due to particularly bad seasons such as 1800 and 1801, then [we shall find] that a very important element is *the amount of new land* cultivated at a given moment or during a given period. A rise in price on the cultivated land here indicates a *growth in population* and hence an excess in price (as compared with costs): on the other hand, the same increase in demand brings about the cultivation of fresh land. If *proportionately* the amount [of newly cultivated land] has greatly increased, then the rising price, and the *higher price*, in the early period merely shows that a large part of the *costs of bringing land into cultivation* enters into the additional quantity of food produced. If the price had not risen, this production [of additional food] would not have taken place. Its effect, a fall in price, can only come into evidence later, because the price of the recently created food comprises an element of the cost of production or price, that has long become extinct in the older applications of capital to land, or in the older portions of cultivated soil. The difference would be even greater if consequent upon the increased productivity of labour, the cost of appropriating soil to cultivation, had not greatly fallen, as compared to the costs of cultivation in former, bygone periods.

||511| The transformation of new land, whether more or equally or less fertile than old land, into such a state (and this state is given by the general rate of adaptation to culture prevailing on the existing land under cultivation) as *to make it* suitable for the application of capital and

labour—under *the game conditions* under which capital and labour is employed on the average quantity of cultivated soil—this adaptation must he paid for by the costs of converting waste land into cultivated land. This difference of cost must he borne by the newly cultivated land. If it does not enter into the price of its produce, there are only two eases possible, under which such a result can be realised. *Either* the produce of the newly cultivated land is not sold at its *real value*. Its price stands below its value, as is in fact the case with most of the land bearing no rent, because its price is not constituted by *its own value*, but by the value of the produce derived from more fertile soils. *Or* the newly cultivated land must be *so fertile*, that, if it was sold at its immanent, own value, according to the quantity of labour realised in it, it would be sold at a less price than the price of produce grown on the formerly cultivated soil.

If the difference between the *inherent value* [of its product] and the *market-price* settled by the value of the cultivated soil is such, that it *amounted for instance to 5* per cent and if on the other hand the *interest*, entering into its costs of production on the part of the capital employed to bring it up to the level of productive ability common to the old soils, amounted also to 5 per cent, then the newly cultivated land would grow produce, which at the old market-price would he able to pay the usual wages, profits and rents. If the interest of the capital employed amounted to 4 per cent only while its degree of fertility exceeded 4 per cent, as compared to the older soils, the market-price, after the deduction of the 4 per cent interest for the capital employed to bring the new land into a ‘cultivable” state would leave a surplus, or it might be sold at a lower price than the *market-price settled by the value of the* least fruitful soil. Rents consequently would generally be lowered, together with the market-price of the produce.

Absolute rent is the excess of *value* over the *average price* of raw produce. *Differential rent* is the excess of the *market-price* of the produce grown on favoured soils over the *value* of their own produce.

If, therefore, the *price* of *raw produce* rises or remains constant in periods in which a relatively large part of the additional food, required by the increase of population, is produced on soil which from uncultivated state has been converted into a state of cultivation, this constancy or rise of prices does not prove that the fertility of the land has decreased, but only that it has not increased to such a degree as to counteract the fresh element of production—formed by the interest of capital applied with a view to bringing the uncultivated land to a level of the common conditions of production, under which the old soils—in a given state of development—are cultivated.

If the relative quantity of the newly cultivated soil is different in different periods, then even a *constant or rising price* does not prove that the new soil is unfertile or yields *less produce*, but only that an element of cost, which has become extinct in the old cultivated soils enters into the value of the products of the newly cultivated land. This new element of cost moreover remains, although under the new conditions of production, the costs of bringing new soil into cultivation have fallen considerably, compared with the costs of bringing the old soil from its *original, natural* state of fertility to its present state. It is therefore necessary to establish the *relative proportion* of enclosures during the different ||512| periods.

The above list (pp. 507-08) moreover shows:

That of the *decennial* periods examined, the *period 1641-1649* reaches a *higher* level than any other decennial period up to 1860, with the exception of the decennial periods 1800-1809 and 1810-1819.

So far as the *fifty-year periods* are concerned, that of *1650-1699* is at a higher level than that of *1700-1749* and that of *1750-1799* higher than that of 1700-1749 and lower than that of 1800-1849 (or 1859).

Prices constantly fall in the period from 1810 to 1859, whereas in the period from 1750 to 1799, despite the lower average price over the 50 years, an upward movement (takes place); the upward movement is just as consistent as the downward movement between 1810 and 1859.

In fact, compared with the period of 1641-1649, there is, on the whole, a continuous fall in decennial average prices, until this fall reaches its *peak (lowest point*) in the last two decennial periods of the first half of the 18th century.

From the middle of the eighteenth century onwards, an upward movement takes place. It commences from a price (36s. *4 5/10d.* 1750-1759), which is lower than the 50 years average price of the second half of the seventeenth century and approximately corresponds (to or is) a little higher than the average price of the 50 year period 1700-1749 (35s. 9 29/50d.), the *first* half of the eighteenth century. This upward movement continues at an increasing pace in the two decennial periods 1800-1809 and 1810-1819. In the latter it reaches its acme. From that point on, the consistent downward movement begins again. If we take the average of the period of rise from 1750 to 1819, then its average price (a little over 57s. per quarter) [is] equal to the starting-point of the period of fail from 1820 (namely a little over 58s, for the decennial period 1820-1829); just as the starting-point for the second half of the 18th century [equals] the average price of its first half.

Any mathematical example will show how individual circumstances, a poor harvest, depreciation of money, etc. can affect the average figure. For instance,

30+20+5+5+5=65. Average is 13, although the last three numbers here [are] always only equal to 5. As against this, 12+11+10+9+8[=50], average is 10, although, if one struck off the exceptional 30 and 20 in the first series, the average of any three years in [the] second [series] would he greater.

If one deducts the differential costs for the capital successively employed in bringing new land into cultivation, which for a certain period enters as an item into cost, then perhaps the prices of 1820-1859 [would be] lower than any of the earlier ones. And this to some extent may well be the notion in the heads of those fellows who explain rent as interest for fixed capital sunk into the soil.

[9. Anderson versus Malthus. Anderson's Definition of Rent. His Thesis of the Rising Productivity of Agriculture and Its Influence on Differential Rent]

Anderson says in:

A Calm Investigation of the Circumstances that have led to the Present Scarcity of Grain in Britain, London, 1801:

> "From 1700 to 1750, there has been a regular [...] fall of price [...] front £2 18s, 1d, to £I 12s.

> 6d. per quarter of wheat; [...] from 1750 to 1800 [...] progressional rise [...] from £1 12s. 6d. to £5 los. per quarter" (p. 11).

Thus, unlike West, Malthus, Ricardo, he did not one-sidedly consider the phenomenon of a rising scale of corn prices (from 1750 to 1813), but rather the double phenomenon, a whole century, of which the first half shows a constantly falling and the second half a constantly rising scale of corn prices. He says very definitely:

> "the population [...] was on the increase during the first half of this century[r] a as well as the last" (l.c., p. 12).

He is a decided enemy of the theory of population and says explicitly that the land is capable of increasing and perennial improvement.

The soil can be *continuously improved* by chemical influences and cultivation" (l.c., p. 38)

||513| "...under a judicious system of management, that productiveness[s] may be made to augment, from year to year, for a succession of time to which no limits can be assigned, fill at last it may be made to attain a degree of productiveness, of which we cannot, perhaps, at this time conceive an idea" l.c., pp. 35-36).

> "...it may be with certainty said, that the present population is such a trifle compared to that" which this island can maintain, as to be much below any degree of serious consideration" (l.c., p. 37).

> "Wherever population increases [...], the produce of the country must be augmented along with it unless *some moral influence is permitted to derange* the economy of nature" (l.c., p. 41).

The "theory of population" represents "the most pernicious prejudice" (l.c., p. 54). Anderson seeks to prove historically that the "productivity of agriculture" rises with a growing and falls with a declining population (I.e., pp. 55, 56, 60, 61 et seq.).

With a correct conception of *rent*, the first point to arise was of course that it does not originate from the land but from the *product* of *agriculture*, that is, from labour, from the *price of the product of labour*, for instance of wheat; in other words, from the *value* of the agricultural product, from the labour applied to the land, not from the land, and Anderson quite correctly emphasises this.

> "It is not [...] the rent of the land that determines the price of its produce, but it is the price of that produce which determines the rent of the land, although the price of that produce is often highest in those countries where the rent of land is lowest."

<Rent has thus nothing to do with the *absolute* productivity of agriculture.>

> "This seems to be a paradox that deserves to be explained. In every country there is a variety of soils, differing considerably from one another in point of fertility. These we shall at present suppose arranged into different classes, which we shall denote by the letters A B, C, D, E, F etc., the class A comprehending the soils of the greatest fertility, and the other letters expressing different classes of soils, gradually decreasing in fertility as you recede from the first. Now, as the *expense* of *cultivating the least fertile soil is as* great or *greater than that of the most fertile field*, it necessarily follows, that *if an equal quantity of corn, the produce of each field, can be sold at the same price*, the profit on cultivating the most fertile soil must be much greater than that of cultivating the others"

<namely the excess of price over the expenses or the price of the capital advanced>

> "and as this" <i.e., the profit> "continues to decrease as the sterility increases, it must at length *happen* that the *expense of cultivating* some of the inferior classes will *equal the value of the whole produce*." [James Anderson, *An Enquiry into the Nature of the Corn Laws*, Edinburgh, 1777, pp. 45-48, quoted from J. R. McCulloch, *The Literature of Political Economy*, London, 1845, p. 69)

The last field pays no rent, (This is cited from McCulloch, *The Literature of Political Economy*, London, 1845. Does McCulloch quote here from *An Enquiry into the Nature of the Corn Lows* or from *Recreations in Agriculture, Natural History, Arts etc.*, London, 1799-1802? This to be looked up at the Museum.)

What Anderson calls "*value* of the whole produce" is evidently nothing other than his conception of the *market-price* at which the product is sold, whether it grows on better or on worse land. With the more fertile types of land, this "price" (value) leaves a greater or lesser excess over the expenses. This does not apply to the last product. Here the *average price—i.e.*, that formed by the costs of production plus the average profit—coincides with the market-price of the product. Hence it does not yield an excess profit, which alone can constitute rent. With Anderson, rent equals the excess of the *market-price* of the product over its *average price*. (The theory of value as yet does not worry Anderson at all.) Thus if, as a result of the particularly low fertility of the land, the *average price* of the product of this land coincides with the *market-price* of the product, then there is no excess and therefore no fund for the formation of rent. Anderson does not say the last cultivated land *cannot bear a rent*. He only says that if it "happens" that the expenses (the costs of production plus

the average profit) are so great that the difference between the market-price of the product and its average price disappears, then rent also disappears and that this must be the case if one descends ever further down the scale. Anderson says expressly that a definite *market-price equal* for equal quantities of produce that have been produced under more favourable or less favourable conditions of production, is the prerequisite for this formation of rent. He says that a surplus profit or excess of profit from the better types of soil over that from the worse, necessarily follows "*if an equal quantity of corn*, the produce of *each* field, can be sold at *the same price*", i.e., if a general market-price is presupposed.

||514| Anderson by no means assumes, as might have appeared from the preceding passage, that different *degrees of fertility* are merely the product of nature. On the contrary the

> "... infinite diversity of soils" arises partly from the fact that these "soils [...] may be so much altered from their original state by the modes of culture they have been formerly subjected to, by the manures etc. (*An Inquiry into the Causes that have hitherto Retarded the Advancement of Agriculture in Europe*, Edinburgh, 1779, p. 5).

On the one hand, the progress in the productivity of labour in general makes it easier to bring land into cultivation; on the other hand, cultivation increases the diversity of soils, in that the original fertility of land A which is cultivated and land B which is not, may have been the same if we deduct from A's fertility that part which, though it is now inherent in it, had previously been added *artificially*. Thus cultivation itself increases the diversity of natural fertility between cultivated and waste lands.

Anderson says expressly that that land for whose produce average price and market-price coincide, can pay *no* rent:

> "Where there are two fields, the produce of which is nearly as above stated", namely the one yielding 12 bushels covering the costs, the other 20, "without requiring any *immediate outlay for their improvement*, the farmer would [...] pay even more rent than" 6 bushels for instance for the latter while [he would pay] none for the former. If "twelve bushels" are "just sufficient for the expense of cultivating [...] no rent whatever can be afforded for *cultivated* land that yields only twelve bushels" (James Anderson, *Essays Relating to Agriculture and Rural Affairs*, Vol. III, Edinburgh, 1796, pp. 107-09).

Then he immediately goes on to say:

> "Yet it cannot be expected that, if the superior produce has been *immediately occasioned* by his own outlay of capital and exertions of industry, he *can* pay nearly the same *proportion* of it as real: but after the land has been *for some time in a permanent state of fertility to that degree*, though it even *originally derived that fertility* from his own industry, he will be content to pay such a proportion of rent as is here stated..." (l.c., pp. 109-10).

Supposing therefore the produce of the best cultivated land is 20 bushels per acre. Of this, according to the assumption, 12 bushels pay the expenses (advances plus average profit). Then it *can* pay 8 bushels as rent. Assume that the bushel is *5s*., then 8 bushels or 1 quarter are 40s, or £2 and 20 bushels are £5 (2 $^{1}/_{2}$ quarters). Of these £5, 12 bushels or 60s, which is £3, is expenses. Then it pays a rent of £ 2 or 8 bushels. If the rate of profit is 10 per cent then of the £ 3 expenses, the outlay is 54 $^{6}/_{11}$s. and the profit is 5 $^{5}/_{11}$s. ($54^{6}/_{11} : 5^{5}/_{11} = 100 : 10$). Now supposing, the farmer had to carry out

various improvements on waste land, which is just as fertile as that yielding 20 bushels had been *originally*, in order to bring it into such a state of cultivation that would correspond to the general state of agriculture. Apart from the outlay of 54 $^{6}/_{11}$s. or, if we reckon the profit in with the expenses, apart from 60s., this may involve a further outlay of 36 $^{4}/_{11}$; then 10 per cent on this would be 3 $^{7}/_{11}$, and if the farmer always sold 20 bushels at 5s, he could pay a rent only after 10 years, only after the reproduction of his capital. From then on the artificially created fertility of the land would he reckoned as original and would fall to the landlord.

Although the newly cultivated land is as fertile as the best cultivated land was originally, the market-price and the average price for its product do nevertheless coincide now, because it contains an item of costs which is extinct in the best land, whose artificially created fertility and whose natural fertility coincide to a certain extent. But with the newly cultivated land, that part of fertility which is created artificially, by the application of capital, is still entirely distinct from the natural fertility of the land. The newly cultivated land can therefore pay *no rent* although its original fertility may be the same as that of the best cultivated land. After ten years, however, it could pay not only rent, but as much rent as the best type which was *cultivated* earlier. Thus Anderson comprehends both phenomena:

1. That the differential rent of the landlords is partly the result of the fertility which the farmer has given the land artificially.

2. That after a certain lapse of time, this artificial fertility appears as the original productivity of the soil itself, in that the soil itself has been transformed and the process by which this transformation has been accomplished, has disappeared and is no longer visible.

||515| If to-day I build a cotton mill for £100,000, I get a more efficient mill than my predecessor who set one up ten years ago. I do not pay for the difference between productivity in machine-building, building in general etc. of to-day and of ten years ago; on the contrary. It enables me to pay *less* for a mill of the same efficiency or only *the same* for a mill d higher efficiency. In agriculture it is different. The difference between the original fertilities of the soils is magnified by that part of the so-called natural fertility of the soil which, in fact, has been once *produced* by men, but has now become incorporated in the soil and is no longer to be distinguished from its original fertility. Owing to the development of the productive power of labour in general, it costs less to raise uncultivated soil of the same original fertility to the *improved* level of fertility, than it cost to bring the original fertility of the cultivated soil to the apparently original fertility it now has, but some expenditure is still required to bring that equalisation about. The average price of the new product is consequently higher than that of the old, the difference between market-price and average price is thus smaller and may disappear completely. But supposing, in the above case, the newly cultivated soil is so fertile, that after the additional expense of 40s. (including profit) it yields 28 bushels instead of 20. In this case the farmer could pay a rent of 8bushels or £2. And why? Because the newly cultivated soil yields 8 bushels more than the old, so that despite the higher average price, with the same market-price, it yields just as much in excess of the price. If it had involved no extra expense, its fertility would be double that of the old land. With this expense it is the same as that of the old land.

[10. The Untenability of the Rodbertian Critique Rodbertus's of Ricardo's Theory of Rent. Lack of Understanding of the Peculiarities of Capitalist Agriculture]

Now back to Rodbertus, definitively and for the last time.

> "It" (Rodbertus's theory of rent) "explains all phenomena of wages and rent etc.…by a *division of the labour product*, which necessarily occurs if two prerequisites, adequate productivity of labour and property in land and capital, are given. It explains that the adequate productivity of labour alone constitutes the *economic possibility of such a division*, in that this productivity gives to the value of the product so much actual content that in addition other people who do not work, can also live from it. And it explains that landed property and capital property alone constitute the *legal reality of such a division*, in that it forces the workers to *share their product* with the non-working proprietors of land and capital and, what is more, in such a proportion that they, the workers, only get so much of it as to enable them to live." (Rodbertus [*Sociale Briefe on von Kirchmann, Dritter Brief*, Berlin, 1851], pp. 156-57.)

Adam Smith sets forth this problem in two ways. [The first concept:] *Division of the product of labour* where

this is regarded as given and he is in fact concerned with the *distribution of use-value*. This is also Herr Rodbertus's conception. It is also to he found with Ricardo who is all the more to be reproached on this account because he does not merely confine himself to general phrases but seriously tries to *determine the value by labour-time*. This conception is more or less, *mutatis mutandis*, applicable to all modes of production where the workers and the owners of the objective conditions of labour form different classes.

Smith's second conception, on the other hand, is characteristic of the capitalist mode of production, Hence it alone is a theoretically fruitful formula. For Smith here conceives of profit and rent as springing from the *surplus labour* which the worker adds to the subject of labour, apart from that portion of labour by which he only reproduces his own wage. This is the only correct standpoint where production rests solely on exchange-value. This concept comprises the process of development, whereas the first concept presupposes that *labour-time* is constant.

With Ricardo the one-sidedness arises also from the fact that in general he wants to show that the various economic categories or relationships *do not contradict the theory of value*, instead of on the contrary, *developing* them together with their apparent contradictions out of this basis or presenting the development of this basis itself.

> ||516| "You[t] know, that *all economists*, already from Adam Smith onwards, *split up the value of the product into wages, ground-rent and capital gain* and that therefore the idea of basing the incomes of the different classes and particularly also rent on a *division of the product* is nothing new." (Certainly not!) "Only the economists immediately go astray. All of them—not even excepting the Ricardian School—*first of all* commit the error

> of not regarding the *whole* product, the *entire* wealth, the *total national product* as the unit in which the workers, the landowners and the capitalists participate. On the contrary they regard the *division of the raw product* as a *particular division* in which *three participants* share, and the division of the manufactured product again as a particular division in which *only two* participants share. So these systems consider that the mere raw product and the mere manufactured product, each in itself, is a special kind of wealth which constitutes income" (l.c., p. 162).

First of all, by breaking down the "*whole* value of the product into wages, ground-rent and capital gain" [p. 162] and thus forgetting about constant capital which also forms a part of value, Adam Smith has in fact led "*astray*" *all* the later economists, including Ricardo and including Herr Rodbertus. As my exposition has shown, the lack of this differentiation made any scientific presentation quite impossible. In this respect the Physiocrats were further advanced. Their "*avances primitives et annuelles*"[u] are defined as a part of the value of the annual product or as a part of the annual product itself, which is not resolved into wages, profit or rent, either for the nation or for the individual. According to the Physiocrats, the raw material of the agriculturists replaces the advances of the sterile class (the transformation of this raw material into machines of course devolves on the sterile class), while, on the other hand, the agriculturists replace a part of their own advances (seeds, cattle for breeding and draught animals, fertiliser etc.) from their product and get a part, machinery etc. replaced by the sterile class in exchange for raw material.

Secondly Herr Rodbertus errs in that he identifies *division of value* with *division of product*. The "*wealth which constitutes income*" has nothing directly to do with this *division of the value* of the product. That the

portions of value which accrue, for instance, to the producers of yarn, and which are represented in certain quantities of gold, *exist* as agricultural and manufactured products of all kinds is equally well known to the economists as to Rodbertus. This is *taken for granted* because *commodities* are produced and not products for the immediate consumption of the producers themselves. Since the value which becomes available for distribution, i.e., the part of value which forms revenue, is created within each individual sphere of production, independently of the others—although, on account of the division of labour, it presupposes the others—Rodbertus takes a step backward and creates confusion, by not examining this creation of value on its own, but confusing it right from the start by asking what share of the available total product of the nation these component parts secure for their owners. With Rodbertus, division of the *value of the product* immediately becomes *division of use-values*. Because he foists this confusion upon the other economists, there arises the need for his corrective, i.e., the consideration of manufactured and raw products *en bloc*—a mode of procedure which is irrelevant to the creation of value, and hence wrong if it is to explain the latter.

The only participants in the *value* of the manufactured product. In 50 far as it comprises revenue and in so far as the manufacturer does not pay a rent, he it for land on which the buildings stand or for waterfalls, etc., are the *capitalist and the wage-labourer*. The *value of the agricultural produce* is generally divided between three. This Herr Rodbertus also admits. The manner in which he explains this phenomenon does not in any way alter this fact. It is entirely in accord with the standpoint of capitalist production that the other economists, especially Ricardo, start from a *division into two*, between capitalist and wage-labourer, and only bring in

the landowner who draws rent at a later stage, as a special excrescence. Capitalist production is based on the antithesis of two factors ||517| , materialised labour and living labour. Capitalist and wage-labourer are the sole functionaries and factors of production whose relationship and confrontation arise from the nature of the capitalist mode of production.

The circumstances under which the capitalist has in turn to share a part of the surplus-labour or surplus-value which he has captured, with a third, non-working person, are only of secondary importance. It is also a fact of production, that, after the part of the value which is equal to constant capital is deducted, the *entire surplus-value passes straight from the hands of the worker to those of the capitalist*, with the exception of that part of the value of the product which is paid out as wages. The capitalist confronts the worker as the *direct* owner of the entire surplus-value, in whatever manner he may later he sharing it with the money-lending capitalist, landowner etc. As James Mill observes, production could therefore continue undisturbed if the landed proprietor disappeared and the state took his place. He—the private landowner—is not a necessary agent for capitalist production, although it does require that the land should belong to someone, so long as it is not the worker, but for instance, the state. Far from being an error on the part of Ricardo etc., this reduction of the classes participating directly in production, hence also in the value produced and then in the products in which this value is embodied, to *capitalists and wage-labourers*, and the *exclusion of the landowners* (who only enter *post festum*, as a result of conditions of ownership of natural forces that have *not grown out* of the capitalist node of production but have been *passed on* to it) is rooted in the nature of the *capitalist mode of production—as* distinct from the feudal, ancient etc. This reduction is an adequate theoretical expression of the capitalist mode of

production, and reveals its *differentia specifica*. Herr Rodbertus is still too much of an old Prussian "landed proprietor", to understand this. Furthermore, it can only he grasped and become self-evident when the capitalist has seized agriculture, and everywhere, as is generally the case in England, has taken charge of agriculture just as he has of industry, and has *excluded* the *landowner* from any direct participation in the production process. What Rodbertus regards as a "deviation", is, therefore, the right path, which however he does not understand because he is still engrossed in views that originated from the pre-capitalist mode of production.

> "He too" (Ricardo) "does not divide the *finished* product among the parties concerned, but, like the other economists, regards the agricultural product as well as the manufactured product—as a separate product, which has to be divided" (l.c., p. 167).

Not the product, Herr Rodbertus, but the *value* of the product, and this is quite correct. Your "finished" product and its division have absolutely nothing to do with this division of value.

> "He" (Ricardo) "regards capital property as given and *that even earlier* than landed property... Thus he does not begin with the reasons for but with the *fact* of the division of the product, and his entire theory is limited to the causes which determine and modify the *proportions of the shares*... The division of the product purely into *wages* and *capital gain* is for him the *original one* and originally also the only one" (l.c., p.167).

This you fail to understand again, Herr Rodbertus. From the standpoint of capitalist production, *capital property* does in fact appear as the "original" because capitalist production is based on this sort of property and it is a factor of and fulfils a function in *capitalist production;* this does not hold good of

landed property. The latter *appears* as derivative, because modern landed property is in fact *feudal* property, but transformed by the action of capital upon it; in its form as modern landed property it is therefore *derived from*, and the result of capitalist production. That Ricardo considers the position as it is and appears in modern society to be also the *historically* original situation (whereas you, instead of keeping to the modern form, cannot rid yourself of your memories of landownership) is a delusion from which the bourgeois economists suffer in respect of all bourgeois economic laws. They appear to them as "natural laws" and hence also as historically "primary".

||518| But Herr Rodbertus could already see from the very first sentence of his preface, that Ricardo, where it is not a question of the *value* of the product, but of *the product itself*, permits the *whole* of the 'finished" product to he shared out.

> "The *produce of the earth*—all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stack or capital necessary for its cultivation, and the labourers by whose industry it is cultivated." (David Ricardo, *The Principles of Political Economy and Taxation*, London, 1821, third edition, Preface, p. V.)

He continues forthwith:

> "But in different stages of society, the proportions of the *whole produce* of the earth which will be allotted to each of these classes, under the names of rent, profit, and wages, will be essentially different" (l.c., p. V).

He is concerned here with the distribution of the '*whole produce*", not the manufactured product or the raw product. If this whole produce" is taken as given, these

shares in the "whole produce" are solely determined within each sphere of production by the share which each shareholder has in the '*value*" of his own product. This "value" is convertible into and can he expressed in a certain proportional part of the "*whole produce*". Ricardo only errs here, following Adam Smith, in that he forgets that "the whole produce" is not divided into rent, profit and wages, but that part of it "will be allotted" in the shape of capital to one or some of these three classes.

> "You might want to assert, that, just as *originally* the law of equal capital gains would have had to depress raw product prices so far that ground-rent would have to disappear only to be re-created as a result of a rise in prices due to the difference between the yield of more fertile and less fertile land— *so, to-day* the advantages of drawing rent besides the usual capital gain, would induce the capitalist to spend capital on flew cultivation and improvements until, due to the flooding of markets brought forth by this, prices would fall sufficiently in order to make rents on the least favourable capital investments disappear again. *In other words, this would be to assert that, so far as the raw product is concerned, the law of the equalisation of capital gains invalidates the other law, that the value of the products is governed by labour costs*, while it is just *Ricardo*, who, in the first chapter of his work, uses the former to prove the latter" (Rodbertus, l.c., p. 174).

Indeed, Herr Rodbertus! The law of the *equalisation of capital gains*" does not invalidate the law that the "*value*" of the products is governed by "labour costs". But it does invalidate Ricardo's assumption that the *average price* of the products equals their "*value*". But there again, it is not the "raw product" whose value is reduced to the average price, but *the other way about*. Due to landed property, the 'raw product" is distinguished by the privilege that its value is *not* reduced to the average

price. If, indeed, its *value* did decrease, which would be possible despite your "value of the material", to the level of the average price of the commodities, then rent would disappear. The types of land which possibly pay no rent to-day, pay none, because the *market-price* of raw products is for them equal to their own *average price*, and because the competition of more fertile types of land *deprives* them of the privilege of selling their product at *its* 'value".

> "Could it be true that *before* any cultivation takes place at all capitalists already exist who receive a profit and invest their capital according to the law of profit equalisation?' (How very silly!) "... I admit, that if to-day an expedition from the civilised countries set out to a ||519| new, uncultivated land, an expedition in which the wealthier participants were equipped with supplies and tools—capital—from an old established culture and the poorer ones came along with a view to winning a high wage in the service of the former, then the capitalists would regard as their gain that which remains to them over and above the wages of the workers for they bring with them from their mother country things and ideas which have long been in existence there" (l.c., pp. 174-75).

Well, here you have it, Herr Rodbertus. Ricardo's whole conception is only appropriate to the presupposition that the capitalist mode of production is the predominant one. How he expresses this *presupposition*, whether he commits a historical *hysteron proteron* is irrelevant to the theory. The *presupposition* must he made, and it is therefore impossible to introduce, as yon are doing, the peasant, who does not understand capitalist book-keeping and hence does not reckon seeds etc., as part of the capital advanced! The "absurdity" is introduced not by Ricardo but by Rodbertus, who assumes that

capitalists and workers exist "*before* cultivation of the land" (l.c., p. 176).

> "According to the Ricardian concept, cultivation of the land is supposed to begin ... only when ... capital has been created in a society and capital gain is known and paid" (l.c., p. 178).

What utter nonsense! Only when a capitalist has squeezed himself as farmer between the husbandman and the landed proprietor—he it that the old tenant has swindled his way into becoming a capitalist farmer, or that an industrialist has invested his capital in agriculture rather than in manufacture—only then he-gins, by no means "the cultivation of the land", but 'capitalist" land cultivation which is very different, both in form and content from the previous forms of cultivation.

> "In every country the greater part of the land is already owned by someone long before it is cultivated; and certainly, long before a rate of capital profit has been established in industry" (l.c., p. 179).

To comprehend Ricardo's conception Rodbertus would have to be an Englishman instead of a Pomeranian landowner and would have to understand the history of the enclosure of commons and waste land. Rodbertus cites America. There the state sells the land

> "in lots, first to the cultivators at a low price, it is true, but one which must *at all events* already represent a rent" (l.c., pp. 179-80).

By no means. This price does not constitute a ground-rent, any more than, say, a general trade tax constitutes a *trade rent* or in fact any tax constitutes a "rent".

> "With regard to the cause of the rise under point b" (the increase in population or the increase in the *quantity of labour employed*) "I maintain, however, that rent has precedence

> over capital gain. The latter can *never* rise because, as a result of the increased value of the national product—if *productivity remains the same* but productive power increases (increased population)—more capital gain accrues to the nation, for this *greater* capital gain always accrues to a *capital* which is *greater* in the same *proportion*, the rate of profit therefore remains the same" (l.c., pp. 184-85).

This is wrong. The quantity of unpaid surplus-labour rises, for instance, if 3, 4 5 hours surplus labour-time are worked instead of 2 hours. The volume of capital advanced does not grow [to the same extent] as the volume of this *unpaid* surplus-labour, firstly, because this further excess of surplus-labour is *not* paid for and so does not occasion a capital outlay; secondly, because the capital outlay for fixed capital does not grow in the same proportion as its utilisation in this instance. No more spindles etc. *are* required. True, they are used tip more quickly but not in the same proportion in which their use increases. Thus, given the same productivity, profit grows here, because not only the surplus-value grows, but also the *rate of surplus-value*. In agriculture this is impracticable because of the natural conditions. On the other hand, *productivity* is easily altered with the increased outlay of capital. Although an absolutely large amount of capital is laid out, it is relatively not so big, due to economies in the conditions of production, quite apart from the division of labour and machinery. Thus the *rate of profit* could grow even if the surplus-value (not only *its rate*) remained the same.

||520| Rodbertus is positively wrong, and typically the Pomeranian landowner when he says:

> "It is possible that in the course of these thirty years" (1800-1830) "*more* properties came into being through the parcelling out of land or even *through the cultivation of new land* and the increased rent was thus also

> divided among more landowners, but it was *not distributed over more acres in 1830 than* in *1800*. Previously *the older properties* comprised the whole of the acreage of those newly separated or newly cultivated properties and the lower rent of 1800 was also *calculated* on them, and this influenced the level of English rent in general at that time just as much as the higher rent in 1830" (l.c., p. 186).

Worthy Pomeranian! Why do you always transfer your Prussian situation to England in a disparaging manner? The English-man does not reckon that, if, as was the case (this to be looked up), three to four million acres were 'enclosed" between 1800 and 1830, the rent on these four million acres was calculated before 1830 as well and also in 1800. Rather they were waste land or commons which bore no rent and did not belong to anybody.

It has nothing to do with Ricardo if Rodbertus, like Carey (but in a different way), seeks to prove to Ricardo that for physical and other reasons, the 'most fertile" hand is usually not the first to he cultivated. The "most fertile" land is always the "most fertile" under the existing conditions of production.

A very large number of the objections which Rodbertus raises against Ricardo arise from the naive manner in which he identifies the "Pomeranian" conditions of production with the "English". Ricardo presupposes capitalist production to which, where it is in fact carried out, as in England corresponds the separation of the farming capitalist from the landlord. Rodbertus introduces circumstances which are in themselves alien to the capitalist node of production, which has merely been built upon them. For instance, what Herr Rodbertus says about the position of economic centres in economic complexes applies perfectly to Pomerania but not to England, where the capitalist node of production

has become increasingly pre-eminent since the last third of the 16th century, where it has assimilated all the conditions and in different periods has progressively sent historical preconditions, villages, buildings and people, to the devil, in order to secure the "most productive" investment for capital.

What Rodbertus says about "capital investment" is equally wrong.

> "Ricardo limits ground-rent to that which the landowner is paid for the use of he *original, natural and indestructible qualities of the land*. He thus wants to ensure that everything which would have to be ascribed to capital in be land which is already being cultivated is deducted from rent. But it is clear that out of the yield from a piece of land he must never allot more to capital than the *full interest customary in a country*. For otherwise he would have to assume that there are two different rates of gain in the economic development of a country one agricultural, which is greater than that prevailing in manufacture, and this latter. This assumption would overthrow his very system, which is based on the equality of the rate of gain" (l.c., pp. 215-16)

Again the notion of the Pomeranian landowner who gets money on tick in order to improve his property and who for theoretical and practical reasons, only wants to pay the money-lender the "customary interest". But in England things are different. It is the farmer, the farming-capitalist, who lays out capital in order to improve the land. From this capital, just as from that which he hays out directly in production, he does not demand the customary interest but the *customary profit*. He does not tend the landowner any capital on which the latter is to pay the "customary" interest. He may borrow capital himself, or else lie uses his own surplus capital so that it yields him the "customary" industrial profit, at least double the customary interest.

Incidentally, Ricardo knows what Anderson already knew and, into the bargain, expressly says that ||521| the productivity of the land thus engendered by capital, later coincides with its "natural" productivity, hence swells the rent. Rodbertus knows nothing of all this and therefore babbles away at random.

I have already given a correct explanation of modern landed property:

> "Rent, in the Ricardian sense, is property in land in its bourgeois state; that is, feudal property which has become subject to the conditions of bourgeois production." (*Misère de la Philosophie*, Paris, 1847 p. 156.)

Similarly I have already correctly observed:

> "Ricardo, after postulating bourgeois production as necessary for determining rent, applies the conception of rent, nevertheless, to the landed properly of all ages and all countries. This is an error common to all the economists who represent the bourgeois relations of production as eternal categories" (l.c., p. 160)

I also pointed out correctly that 'land as capital" could be increased like all other capitals:

> "Land as capital can be *increased* just as much as all the other instruments of production. Nothing is added to its matter, to use M. Proudhon's language, but *the lands which serve as instruments of production are multiplied*. The very fact of applying further outlays of capital to land already transformed into means of production increases land as capital without adding anything to land as matter, that is, to the extent of he land" (l.c., p. 165)

The difference between manufacture and agriculture which I pointed out at that time still remains correct:

> "In the first place, one cannot, as in manufacturing industry, *multiply at will the instruments of production possessing the same degree at productivity*, that is, plots of land with the same degree of fertility. Them as population increases, land of an inferior quality begins to be exploited, or mew outlays of capital, proportionately less productive than before, are made upon the same plot of land" (l.c., p. 157)

Rodbertus says:

> "But I must draw attention to yet another circumstance which, admittedly, much more gradually, but also far more generally, turns worse agricultural machines into better ones. This is the *continued management* of a piece of land merely in accordance with a rational system, without making any special capital investment." ([*Sociale Briefe on von Kirchmann, Dritter Brief*], p. 222.)

Anderson already said cultivation improves the land. [Rodbertus continues.]

> "You would have to prove that the working population engaged in agriculture had, in the course of time, increased to a greater degree than the production of food or even just compared with the rest of the population of a country. Only this could irrefutably show that increasing agricultural production also demands that progressively more labour is expended upon it. But it is just here that statistics contradict you" (l.c., p. 274). "Indeed, you will find that, [pretty well] as a rule, the denser the population of a country, the smaller will be the proportion of people engaged in agriculture... The same phenomenon can be observed when the population of a country increases: that section which is *not* engaged in agriculture will almost everywhere increase to a greater degree" (l.c., p. 275).

But this is partly because more arable land is turned over to cattle and sheep grazing, partly because with the

higher stage of production—large-scale agriculture—labour becomes more productive. *But also*, and this is a circumstance which Herr Rodbertus overlooks entirely, because a greater part of the *non-agricultural population* assist in agriculture, supplying constant capital—which grows with the advance in cultivation—such as mineral fertilisers, seeds from other countries, machinery of every sort.

According in Herr Rodbertus (l.c., p. 78):

> "At present the agriculturist" (in Pomerania) "does not" (regard) the feeding-stuffs for his draught animals as capital, if he has grown these in his own establishment..."

||522| "Capital in itself, or from an economic point of view, is a product which continues to be used for production... But in respect of a particular gain which it is to yield, or from the point of view of *to-day's entrepreneurs*, it must appear as an 'outlay' in order to be capital" (l.c., p. 77).

This concept of "outlay" however does not, as Rodbertus thinks, require that it is bought as a commodity. If instead of being *sold* as a commodity, a part of the product re-enters production, it does so as a *commodity*. It has previously been estimated as "money", this is easily done, since simultaneously all these "outlays', in agriculture too, are available on the market as "commodities": cattle, feeding-stuffs, fertilisers, corn for sowing, seeds of all kinds. But it seems that in "Pomerania" this is not reckoned as "outlay".

> "The *value* of the particular results of these different sorts of work" (manufacture and primary production) "is not the income itself which accrues to their owner, but only the measure for its conversion into money. This particular income itself is a part of the social income, which is only produced by the combined labour in agriculture and

> manufacture, and its *elements* too are thus only produced by this combined effort" (l.c., p. 36).

This is quite irrelevant. The realisation of this *value* can only be its realisation in use-value. But we are not concerned with that. Furthermore, the *necessary wage* already implies how much value in the shape of agricultural and industrial products is contained in the means of subsistence the worker requires.

Done with.

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* ||499| For instance, when Ricardo's theory (see above) convinces him that a rise in wages above their minimum does not raise the value of the commodities, he says so in a straightforward manner. Malthus wants to bold down wages so flint the bourgeois may profit. |499||

[a] In the manuscript: "encouragement of foreign importation", instead of "encouraging the importation of corn from abroad"—Ed.

[b] In the manuscript: "to place" instead of "for the purpose of feeding."—Ed.

[c] "The work surpasses the material." —Ed.

[d] In the manuscript: "*the*—Ed.

[e] but not the general average of rent" is a summary by Marx of the contents of the subsequent passages—Ed.

[f] In the manuscript: "could"—Ed

[g] In this paragraph Marx reproduces in his own words the contents of a longer passage from Hopkins's book *On Rent of Land*, p. 94.—Ed.

[h] In the manuscript: "landlords".—Ed

[i] This passage has been condensed by Marx.—Ed.

[j] a “It is somewhat extraordinary” is in the manuscript condensed to: “strange”.—Ed.

[k] In the manuscript: “simultaneously” instead of “at the same time”.— Ed.

[l] In the manuscript: “machinery”.—Ed.

[m] In the manuscript: “landlord”.—Ed.

[n] Instead of “in others 10 per cent”, in the manuscript: “‘in others not 10”—Ed.

[o] In the manuscript: “*when”*—Ed.

[p] Instead of “added to the very important circumstance, of good roads being already formed in the neighbourhood’, in the manuscript: “‘in addition good roads in the neighbourhood, etc”—Ed.

[q] In the manuscript: “expendet”—Ed.

[r] In the manuscript: “the 18th century” instead of “this century”.—Ed.

[s] In the manuscript: ” the productivity of the soil” instead of “that productiveness”. —*Ed.*

[t] Von Kirchmann. —*Ed.*

[u] Original and annual advances. —*Ed.*

[CHAPTER X] Ricardo's and Adam Smith's Theory of Cost-price (Refutation)

[A. Ricardo's Theory of Cost-price]

[1. Collapse of the Theory of the Physiocrats and the Further Development of the Theories of Rent]

With Anderson's thesis (partly also contained in Adam Smith's work): It is not [...] the rent of the land that determines the *price* of its produce, but it is the *price* of that produce which determines the rent of the land..." the doctrine of the Physiocrats was overthrown. The *price* of the agricultural produce, and neither this produce itself nor the land, had thus become the source of rent. This finished the notion that rent was the offspring of the exceptional productivity of agriculture which again was supposed to be the offspring of the special fertility of the

soil. For, if *the same quantity of labour* was exerted in a particularly productive element and hence was itself exceptionally productive, then the result could only be that this labour manifested itself in a relatively *large* quantity of *products* and that the price of the individual product was therefore relatively low; but it could never have the opposite result, namely, that the *price* of its product was *higher* than that of other products containing the same quantity of labour and that this *price*, as distinct from that of other commodities, thus yielded a *rent, in addition to* profit and wages. (In his treatment of rent *Adam Smith* to some extent returns to the physiocratic view, having previously refuted or at least rejected it by his original conception of rent as part of surplus-labour.)

Buchanan sums up this discarding of the physiocratic view in the following words:

> "The notion of agriculture yielding a produce, and a rent in consequence, because nature concurs with human industry in the process of cultivation, is a mere fancy. It is not from the produce, but from the price at which the produce is sold, that the rent is derived; and this price is got not because nature assists in the production, but because it is the price which suits the consumption to the supply." [David Buchanan in Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. II, Edinburgh, 1814, p. 55, note; quoted from David Ricardo, *On the Principles of Political Economy, and Taxation*, third edition, London, 1821, p. 66, note.]

After the rejection of this notion of the Physiocrats—which, however, was fully justified in its deeper sense, because they regarded rent as the only surplus, and capitalists and labourers together merely as the paid employees of the landlord—only the following viewpoints were possible.

||523| [Firstly:] The view that *rent* arises from the *monopoly price* of agricultural products, the monopoly price being due to the landowners possessing the *monopoly* of the land. According to this concept, the *price* of the agricultural product is constantly *above* its *value*. There is a *surcharge of price* and the law of the value of commodities is breached by the *monopoly* of landed property.

Rent arises out of the *monopoly price* of agricultural products, because supply is constantly *below* the level of demand or demand is constantly *above* the level of supply. But why does supply not rise to the *level* of demand? Why does not an *additional* supply equalise this relationship and thus, according to this theory, abolish *all* rent? In order to explain this, Malthus on the one hand takes refuge in the fiction that agricultural products provide themselves with direct consumers (about which more later, in connection with his row with Ricardo); on the other hand, in the Andersonian theory, that agriculture becomes less productive because the *additional supply* costs more labour. Hence, in so far as this view is not based on mere fiction, it coincides with the Ricardian theory. Here too, *price* stands *a b o v e* value, surcharge.

[Secondly:] *The Ricardian Theory: Absolute rent does not exist*, only a *differential rent*. Here too, the *price* of the agricultural products that bear rent is *above* their individual value, and in so far as rent exists at all, it does so through the *excess of the price* of *agricultural products over their value*. Only here this excess of price *over* value does not contradict the general theory of value (although the fact remains) because within each sphere of production the *value* of the commodities belonging to it is not determined by the individual value of the commodity but by *its value* as modified by the *general* conditions of production of that sphere. Here, too, the price of the rent-bearing products

is a *monopoly price*, a monopoly however as it occurs in all spheres of industry and only becomes permanent in this one, hence assuming the form of rent as distinct from excess profit. Here too, it is an excess of *demand over supply* or, what amounts to the same thing, that the additional demand cannot be satisfied by an additional supply at *prices* corresponding to those of the original supply, before its prices were forced up by the excess of demand over supply. Here too, *rent comes into being* (differential rent) because of *excess* of *price over value*, [brought about by] the rise of prices on the better land *above* the value of the product, and this leads to the additional supply.

[Thirdly:] *Rent is merely interest on the capital sunk in the land*. This view has the following in common with the Ricardian, namely, that it denies the existence of *absolute rent*. It must admit the existence of *differential rent*, when pieces of land in which equal amounts of capital have been invested, yield rents of varying size. Hence in fact, it amounts to the Ricardian view, that certain land yields no *rent* and that where *actual* rent is yielded, this is differential rent. But it is absolutely incapable of explaining the rent of land in which *no* capital has been invested, of waterfalls, mines etc. It was, in fact, nothing but an attempt *from a capitalist point of view*, to save rent despite Ricardo— under the name of *interest*.

Finally [fourthly]: Ricardo assumes that on the land which does not bear a rent, the price of the product equals its value because it equals the *average price*, i.e., capital outlay plus average profit. He thus wrongly assumes that the value of the commodity equals the average price of the commodity. If this wrong assumption is dropped, then absolute rent becomes possible because the *value* of agricultural products, like that of a whole large category of other commodities, stands *above* their average price, but owing to landed property, the value of the agricultural products, unlike that of these other commodities, is not

levelled out at the average price. Hence this view assumes, like the monopoly theory, that property in land, as such, has something to do with rent; it assumes differential rent along with Ricardo, and finally it assumes that absolute rent by no means infringes the law of value.

[2. The Determination of Value by Labour-Time—the Basis of Ricardo's Theory. Despite Certain Deficiencies the Ricardian Mode of Investigation Is a Necessary Stage in the Development of Political Economy]

Ricardo starts out from the determination of the relative va1ues(or exchangeable values) of commodities by "the *quantity of labour*". (We can examine later the various senses in which Ricardo uses the term value. This is the basis of Bailey's criticism and, at the same time, of Ricardo's *shortcomings*.) The character of this "labour" is not further examined, If two commodities are equivalents—or bear a *definite proportion* to each other or, which is the same thing, if their *magnitude differs* according to the ||524| *quantity of "labour"* which they contain—then it is obvious that regarded as exchange-values, their *substance* must be the

same. Their substance is labour. That is why they are "values". Their magnitude varies, according to whether they contain more or less of this substance. But *Ricardo does not examine* the form—the peculiar characteristic of labour that creates exchange-value or manifests itself in exchange-values—the *nature* of this labour. Hence lie does not grasp the connection of *this labour* with *money* or that it must assume the form of *money*. Hence he completely fails to grasp the connection between the determination of the exchange-value of the commodity by labour-time and the fact that the development of commodities necessarily leads to the formation of money. Hence his erroneous theory of money. Right from the start he is only concerned with the *magnitude of value*, i.e., the fact that the magnitudes of the va1ues of the commodities are proportionate to the quantities of labour which are required for their production. Ricardo proceeds from here and he expressly names Adam Smith as his starting-point (Chapter I, Section I).

Ricardo's method is as follows: He begins with the determination of the magnitude of the value of the commodity by labour-time and then *examines* whether the other economic relations and categories *contradict* this determination of value or to what extent they modify it. The historical justification of this method of procedure, its scientific necessity in the history of economics, are evident at first sight, but so is, at the same time, its scientific inadequacy. This inadequacy not only shows itself in the method of presentation (in a formal sense) but leads to erroneous results because it omits some essential links and *directly* seeks to prove the congruity of the economic categories with one another.

Historically, this method of investigation was justified and necessary. Political economy had achieved a certain comprehensiveness with Adam Smith; to a certain extent

he had covered the whole of its territory, so that Say was able to summarise it all in one textbook, superficially but quite systematically. The only investigations that were made in the period between Smith and Ricardo were ones of detail, on productive and unproductive labour, finance, theory of population, landed property and taxes. Smith himself moves with great naïveté in a perpetual contradiction. On the one hand he traces the intrinsic connection existing between economic categories or the obscure structure of the bourgeois economic system. On the other, he simultaneously sets forth the connection as it appears in the phenomena of competition and thus as it presents itself to the unscientific observer just as to him who is actually involved and interested in the process of bourgeois production. One of these conceptions fathoms the inner connection, the physiology, so to speak, of the bourgeois system, whereas the other takes the external phenomena of life, as they seem and appear and merely describes, catalogues, recounts and arranges them under formal definitions. With Smith both these methods of approach not only merrily run alongside one another, but also intermingle and constantly contradict one another. With him this is justifiable (with the exception of a few special investigations, [such as] that into money) since his task was indeed a twofold one. On the one hand he attempted to penetrate the inner physiology of bourgeois society but on the other, he partly tried to describe its externally apparent forms of life for the first time, to show its relations as they appear outwardly and partly he had even to find a nomenclature and corresponding mental concepts for these phenomena, i.e., to reproduce them for the first time in the language and [in the] thought process. The one task interests him as much as the other and since both proceed independently of one another, this results in completely contradictory ways of presentation: the one expresses the intrinsic connections more or less correctly, the other, with the same justification—and without any connection

to the first method of approach—expresses the *apparent* connections without any internal relation. Adam Smith's successors, in so far as they do not represent the reaction against him of older and obsolete methods of approach, can pursue their particular investigations and observations undisturbedly and can always regard Adam Smith as their base, whether they follow the esoteric or the exoteric part of his work or whether, as is almost always the case, they jumble up the two. But at last Ricardo steps in and calls to science: Halt! The basis, the starting-point for the physiology of the bourgeois system—for the understanding of its internal organic coherence and life process—is the determination of *value by labour-time*. Ricardo starts with this and forces science to get out of the rut, to render an account of the extent to which the other categories—the relations of production and commerce—evolved and described by it, correspond to or contradict this basis, this starting-point; to elucidate how far a science which in fact only reflects and reproduces the manifest forms of the process, and therefore also how far these manifestations themselves, correspond to the basis on which the inner coherence, the actual physiology of bourgeois society rests or the basis which forms its starting-point; and in general, to examine how matters stand with the contradiction between the apparent and the actual movement of the system. This then is Ricardo's ||525| great historical significance for science. This is why the inane Say, Ricardo having cut the ground from right under his feet, gave vent to his anger in the phrase that "under the pretext of expanding it" (science) "it had been pushed into a vacuum". Closely bound up with this scientific merit is the fact that Ricardo exposes and describes the economic contradiction between the classes—as shown by the intrinsic relations—and that consequently political economy perceives, discovers the root of the historical struggle and

development. *Carey* (the passage to be looked up later) therefore denounces him as the father of communism.

> "Mr. Ricardo's system is one of discords ...its whole tends to the production of *hostility among classes* and nations... His hook is the true manual of the demagogue, who seeks power by means of agrarianism, war, and plunder." (H. C. Carey, *The Past, the Present, and the Future*, Philadelphia, 1848, pp. 74-75.)

Thus it follows on the one hand that the Ricardian method of investigation is scientifically justified and has great historical value, on the other hand the scientific deficiencies of his procedure are clearly visible and will become more evident in what follows later.

Hence also the very peculiar and necessarily faulty architectonics of his work. The whole work consists of 32 chapters (in the third edition). Of this, 14 chapters deal with *taxes*, thus dealing only with the *application* of the theoretical principles. The twentieth chapter, "Value and Riches, Their Distinctive Properties" is nothing but an examination of the difference between use-value and exchange-value, i.e., a supplement to the first chapter, "*On Value*". The twenty-fourth chapter "Doctrine of Adam Smith Concerning the Rent of Land", like the twenty-eighth chapter "On the Comparative Value of Gold, Corn and Labour..." and the thirty-second chapter "Mr. Malthus's Opinions on Rent" are mere supplements to, and in part a vindication of, Ricardo's rent theory, thus forming mere appendices to chapters II and III which deal with rent. The thirtieth chapter "On the Influence of Demand and Supply on Prices" is simply an appendix to the fourth chapter "On Natural and Market-Price." The nineteenth chapter, "On Sudden Changes in the Channels of Trade", forms a second appendix to this chapter. The thirty-first chapter, "On Machinery", is purely an appendix to the fifth and sixth chapters "On Wages" and "On Profits". The seventh chapter, "On Foreign Trade",

and the twenty-fifth, "On Colonial Trade"—like the chapters on taxes—are mere applications of previously established principles. The twenty-first chapter "Effects of Accumulation on Profits and Interest" is an appendix to the chapters on rent, profits and wages. The twenty-sixth chapter "On Gross and Net Revenue" is an appendix to the chapters on wages, profits and rent. Finally, the twenty-seventh chapter "On *Currency and Banks*" stands quite apart from the rest of the work and merely consists of further explanations and in part modifications of views put forward in his earlier writings on money.

The Ricardian theory is therefore contained exclusively in the first six chapters of the work. It is in respect of this part of the work that I use the term faulty architectonics. The other part (with the exception of the section on money) consists of applications, elucidations and addenda which, by their very nature, are jumbled together and make no claim to being systematically arranged. But the faulty architectonics of the theoretical part (the first six chapters) is not accidental, rather it is the result of Ricardo's method of investigation itself and of the definite task which he set himself in his work. It expresses the scientific deficiencies of this method of investigation itself.

Chapter I is "*On Value*". It is subdivided into seven sections. The first section actually examines whether *wages contradict* the determination of the values of commodities by the labour-time they contain. In the third section Ricardo demonstrates that the entry of what I call constant capital into the value of the commodity does *not* contradict the determination of value and that the values of commodities are equally unaffected by the rise or fall in wages. The fourth section examines to what extent the determination of exchangeable values by labour-time is altered by the application of machinery and other fixed and durable capital, in so far as it enters into the total capital in

varying proportions in different spheres of production. The fifth section examines how far a rise or fall in wages modifies the determination of values by labour-time, if capitals of unequal durability and varying periods of turnover are employed in different spheres of production. Thus one can see that in this first chapter not only are *commodities* assumed to exist—and when considering value as such, nothing further is required—but also wages, capital, profit, the general rate of profit and even, as we shall see, the various forms of capital as they arise from the process of circulation, and also the difference between "natural and market-price". This latter, moreover, plays a decisive role in the following chapters, Ch. II and Ch. III: "On Rent" and "On the Rent of Mines". In accordance with his method of investigation, the second chapter, "On *Rent*" ||526| —the third "On the Rent of Mines" is only a supplement to this—again opens with the question: Does landed property, and rent, *contradict* the determination of the value of commodities by labour-time?

This is how he opens the second chapter "*On Rent*":

> "It remains however to be considered, whether the appropriation of land, and the consequent creation of rent, will occasion any variation in the relative value of commodities, independently of the quantity of labour necessary to production" (*Principles of Political Economy*, third edition, London, 1821, p. 53).

In order to carry out this investigation, he introduces not only, *en passant*, the relationship of "market-price" and "real price" (monetary expression of value) but postulates the whole of capitalist production and his entire conception of the relationship between wages and profit. The fourth chapter "On Natural and Market-Price" and the fifth "On Wages" and the sixth "On Profits" are thus not only taken for granted, but fully developed in the first two chapters "On Value" and "On Rent" and in

Chapter III as an appendix to II. The later three chapters, in so far as they bring any new *theoretical* points, fill in gaps here and there, and provide closer definitions, which for the most part should by rights have found their place in [chapters] I or II.

Thus the entire Ricardian contribution is contained in the first two chapters of his work. In these chapters, the developed relations of bourgeois production, and therefore also the developed categories of political economy, are confronted with their principle—the determination of value—and examined in order to determine the degree to which they directly correspond to this principle and the position regarding the apparent discrepancies which they introduce into the value relations of commodities. They contain the whole of his critique of hitherto existing political economy, the determined break with the contradiction that pervades Adam Smith's work with its esoteric and exoteric method of approach, and, at the same time, because of this critique, they produce some quite new and startling results. Hence the great theoretical satisfaction afforded by these first two chapters; for they provide with concise brevity a critique of the old, diffuse and meandering political economy, present the whole bourgeois system of economy as subject to one fundamental law, and extract the quintessence out of the divergency and diversity of the various phenomena. But this theoretical satisfaction afforded by these first two chapters because of their originality, unity of fundamental approach, simplicity, concentration, depth, novelty and comprehensiveness, is of necessity lost as the work proceeds. Here too, we are at times captivated by the originality of certain arguments. But as a whole, it gives rise to weariness and boredom. As the work proceeds, there is no further development. Where it does not consist of monotonous formal application of the same principles to various extraneous matters, or of polemical vindication of these

principles, there is only repetition or amplification; at most one can occasionally find a striking chain of reasoning in the final sections.

In the critique of Ricardo, we have to separate what he himself failed to separate. [Firstly] his *theory of surplus-value*, which of course exists in his work, although he does not define *surplus-value* as distinct from its particular forms, profit, rent, interest. Secondly, his *theory of profit*. We shall begin with the latter, although it does not belong into this section, but into the historical appendix to *Section III*.

[3. Ricardo's Confusion about the Question of "Absolute" and "Relative" Value. His Lack of Understanding of the Forms of Value]

Before we go on, just a few comments on how Ricardo confuses the definitions of "value". Bailey's polemic against him is based on this; it is however also important for us.

First of all Ricardo speaks of "*value in exchange*" (l.c., p. 1) and, like Adam Smith, defines it as "*the power of purchasing other goods*" (l.c., p. 1). This is exchange-value as it *appears* at first. Then, however, he proceeds to the real determination of value:

> "It is the comparative quantity of commodities which labour will produce, that

> determines their present or past *relative value*" (l.c., p. 9).
>
> "Relative value" here means nothing other than the exchangeable value as determined by labour-time. But *relative value* can also have another meaning, namely, if I express the exchange-value of a commodity in terms of the use-value of another, for instance the 'exchange-value of sugar in terms of the use-value of coffee.
>
> "Two commodities vary in *relative value*, and we wish to know in which *the variation* has [...] taken place" (l.c., p. 9).

Which variation? Ricardo later also calls this "relative value" "*comparative value*" (p. 448 et seq.). We want to know in which commodity "the variation" has taken place. This means the variation of the "value" which was called "relative value" above. For instance, 1 pound of sugar equals 2 pounds of coffee. Later 1 pound of sugar equals 4 pounds of coffee. The "variation" which we want to know about is: whether the "*necessary labour-time*" has altered for sugar or for coffee, whether sugar costs twice as much labour-time as before or whether coffee costs half as much labour-time as before and which of these "variations" in the labour-time required for their respective production has called forth this variation in their *exchange relation*. This "relative or comparative value" of sugar and coffee—the ratio in which they exchange—is thus different from relative value in the first sense. In the first sense, the relative value of sugar is determined by the quantity of sugar which can be produced by a certain amount of labour-time ||527|. In the second case, the relative value of sugar [and coffee] expresses the ratio in which they are exchanged for one another and changes in this ratio can be the result of a change in the "relative value" in the first sense, in coffee or in sugar. The proportion in which they exchange for one another can remain *the same*, although their "relative values" in the first sense have altered, 1 lb. sugar can equal

2 lbs. coffee, as before, even though the labour-time for the production of sugar and of coffee has risen to double or has fallen to a half. *Variations* in their *comparative value*, that is, if the exchange-value of sugar is expressed in coffee, and vice versa, will only appear when the variations in their *relative value* in the first sense, i.e., the values determined by the quantity of labour, have *altered to a different extent*, when therefore *comparative* changes have occurred. Absolute changes, when they do not alter the original ratio, but are of equal magnitude and move in the same direction, will not call forth any variation in the comparative values—nor in the *money prices* of these commodities, since, if the value of money should change, it would do so equally for both [commodities]. Hence, whether the values of two commodities are expressed in their own reciprocal use-values or in their money price—representing both commodities in the form of the use-value of a third commodity—these *relative* or *comparative* values or prices are the same, and the changes in them must be distinguished from changes in their *relative values* in the first sense of the term, i.e., in so far as they only express the change in the labour-time required for their *own* production, and thus *realised in themselves*. The latter *relative value* thus appears as "*absolute value*" compared with relative values in the second sense, i.e., in the sense of actually representing the exchange-value of one commodity in terms of the use-value of the other or in money. That is why the term "*absolute value*" occurs in Ricardo's work, to denote "relative value" in the first sense.

If, in the above example, 1 lb. sugar costs the same amount of labour-time as before, then its "relative value" in the first sense has not altered. If, however, the labour cost of coffee has halved, then the value of sugar expressed in terms of coffee has altered, because the "relative value" of coffee, in the first sense, has

altered. The relative values of sugar and coffee thus appear to be different from their "absolute values" and this difference becomes evident because the comparative value of sugar, for instance, has not altered in comparison with commodities whose absolute values have remained *unchanged*.

> "The inquiry to which I wish to draw the reader's attention, relates to the effect of the *variations in the relative value of commodities*, and not in their *absolute value*" (l.c., p. 15).

At times Ricardo also calls this "absolute"' value "real value"' or simply *value* (for instance on p. 16).

See the whole of Bailey's polemic against Ricardo in:

A Critical Dissertation on the Nature, Measures and Causes of Value; chiefly in reference to the Writings of Mr. Ricardo and his Followers. By the Author of Essays on the Formation and Publication of Opinions, London, 1825. (See also his *A Letter to a Political Economist; occasioned by an article in the Westminster Review* etc., London, 1826.) [Bailey's polemic] partially revolves around these different instances of definitions of value, which are not explained by Ricardo but only occur de facto and are confused with one another, and Bailey sees in this only "contradictions". Secondly, [Bailey's polemic is directed] against "absolute value" or "real value" as distinct from *comparative value* (or relative value in the second sense).

In the first of the above-mentioned works, Bailey says:

> "Instead of regarding value as a relation between two objects, they"(Ricardo and his followers) "consider it as a positive result produced by a definite quantity of labour." (Samuel Bailey, *A Critical Dissertation on the Nature, Measures and Causes of Value*, London, 1825, p. 30.)

They regard “value as something intrinsic and absolute” (l.c., p. 8).

The latter reproach arises from Ricardo’s inadequate presentation, because he does not even examine the form of value—the particular form which labour assumes as the substance of value. He only examines the magnitudes of value, the quantities of this abstract, general and, in this form social, labour which engender differences in the *magnitudes of value* of commodities. Otherwise Bailey would have recognised that the relativity of the concept of value is by no means negated by the fact that all commodities, in so far as they are exchange-values, are only *relative* expressions of social labour-time and their relativity consists by no means solely of the ratio in which they exchange for one another, but of the ratio of all of them to this social labour which is their substance.

On the contrary, as we shall see, Ricardo is rather to be reproached for very often losing sight of this “real” or “absolute value” and only retaining “relative” and “comparative values”.

||528| Thus:

[4.] Ricardo’s Description of Profit, Rate of Profit, Average Prices etc.

[a) Ricardo’s Confusion of Constant Capital with Fixed Capital and of Variable Capital with Circulating Capital. Erroneous Formulation of

the Question of Variations in "Relative Values" and Their Causative Factors]

In Section III of the First Chapter Ricardo explains that the statement: the value of the commodity is determined by labour-time includes not only the labour directly employed on the commodity in the final labour process but also the labour-time contained in the raw material and the instruments of labour that are required for the production of the commodity. Thus it applies not only to the labour-time contained in the newly-added labour which has been bought, paid for by wages, but also to the labour-time contained in that part of the commodity which I call constant capital. Even the very heading of this Section III of Chapter I shows the deficiency of his exposition. It runs like that:

> "Not only the labour applied immediately to commodities affect their value, but the labour also which is bestowed on the implements, tools, and buildings, with which such labour is assisted." (David Ricardo, *On the Principles of Political Economy, and Taxation*, third edition, London, 1821, p. 16.)

Raw material has been omitted here, yet the labour bestowed on raw material is surely just as different from "labour applied immediately to commodities" as the labour bestowed on "implements, tools and buildings". But Ricardo is already thinking of the next section. In Section III he assumes that *equal component parts of value* comprised in the instruments of labour employed enter into the production of the various commodities. In the next section he examines the modifications arising from the *varying proportions* in which fixed capital enters [into the commodities]. Hence Ricardo does not arrive at the concept of *constant capital*, one part of which consists of fixed capital and the other of

circulating capital—raw material and auxiliary material—just as *circulating* capital not only includes variable capital but also raw material etc., and all means of subsistence which enter into *consumption in general*, not only into the consumption of the workers.

The proportion in which constant capital enters into a commodity does not affect the *values* of the commodities, the relative quantities of labour contained in the commodities, but it does directly affect the different quantities of *surplus-value* or *surplus-labour* contained in commodities embodying equal amounts of labour-time. Hence this varying proportion gives rise to *average prices* that differ from values.

With regard to sections IV and V of Chapter I we have to note, first of all, that Ricardo does not examine a highly important matter which *directly* affects *the production of surplus-value*, namely, that in different spheres of production the same volume of capital contains different proportions of constant and variable capital. Instead, Ricardo concerns himself exclusively with the different forms of capital and the varying proportions in which the same capital assumes these various forms, in other words, [with] *different forms arising out of the process of the circulation of capital*, that is, fixed and circulating capital, capital which is fixed to a greater or lesser degree (i.e., fixed capital of varying durability) and unequal velocity of circulation or rates of turnover of capital. And the manner in which Ricardo carries out this investigation is the following: He presupposes *a general rate of profit* or an *average profit of equal magnitude* for different capital investments of equal magnitude, or for different spheres of production in which capitals of equal size are employed—or, which is the same thing, profit in proportion to the *size* of the capital employed in the various spheres of production. Instead of *postulating* this *general rate of profit*, Ricardo should rather have examined in how far its *existence* is in fact

consistent with the determination of value by labour-time, and he would have found that instead of being consistent with it, *prima facie*, it *contradicts* it, and that its existence would therefore have to be explained through a number of intermediary stages, a procedure which is very different from merely including it under the law of value. He would then have gained an altogether different insight into the nature of profit and would not have identified it directly with surplus-value.

Having made *this presupposition* Ricardo then asks himself how will the rise or fall of wages affect the "*relative values*", when fixed and circulating capital are employed in different proportions? Or rather, *he imagines* that this is how he handles the question. In fact he deals with it quite differently, namely, as follows: He asks himself what effect the rise or fall of wages will have on the *respective profits* on capitals with different periods of turnover and containing different proportions of the various forms of capital. And here of course he finds that depending on the amount of fixed capital etc., a rise or fall of wages must have a very different effect on capitals, according to whether they contain a greater or lesser proportion of variable capital, i.e., capital which is laid out directly in wages. Thus in order to equalise again the profits in the different spheres of production, ||529| in other words, to re-establish the *general rate of profit*, the prices of the commodities—as distinct from their *values—must* be regulated in a different way. *Therefore*, he further concludes, these differences affect the "relative values" when wages rise or fall. He should have said on the contrary: Although these differences have nothing to do with the values as such, they do, through their varying effects on profits in the different spheres, give rise to average prices or, as we shall call them *cost-prices* which are different from the values themselves and are not directly determined by the values of the commodities but by the capital advanced for their

production plus the average profit. Hence he should have said: These average *cost-prices* are different from the *values* of the commodities. Instead,' he concludes that they are *identical* and with this *erroneous* premise he goes on to the consideration of rent.

Ricardo is also mistaken when he thinks that it is only [through] the three cases he examines that he discovers the "variations" in the "relative values" that occur independently of the labour-time contained in the commodities, that is in fact the difference between the cost-prices and the values of the commodities. He has already *assumed* this *difference*, in postulating a *general rate of profit*, thus presupposing that despite the varying ratios of the organic component parts of capitals, these yield a profit proportional to their *size*, whereas the surplus-value they yield is determined absolutely by the quantity of unpaid labour-time they absorb, and with a given wage this is entirely dependent on the volume of that part of capital which is laid out in wages, and not on the absolute size of the capital.

What he does in fact examine is this: supposing that cost-prices *differ* from the values of commodities—and the assumption of a *general rate of profit* presupposes this difference—how in turn are these cost-prices (which are now, for a change, called "relative values") themselves reciprocally modified, proportionately modified by the rise or fall of wages, taking also into account the varying proportions of the organic component parts of capital? If Ricardo had gone into this more deeply, he would have found that—owing to the diversity in the organic composition of capital which first manifests itself in the immediate production process as the difference between variable and constant capital and is later enlarged by differences arising from the circulation process—the mere existence of a *general rate of profit* necessitates *cost-prices* that differ from *values*. He would have found that, even

if *wages* are assumed to *remain constant*, the difference exists and therefore is *quite independent* of the rise or fall in wages, thus he would have arrived at a new definition. He would also have seen how incomparably more important and decisive the understanding of this difference is for the whole theory, than his observations on the variation in *cost-prices* of commodities brought about by the rise or fall of wages. The result with which he contents himself—and that he is content accords with the whole manner in which he carries out his investigation—is as follows: Once the *variations in the cost-prices* (or, as he says, "relative values") of the commodities—in so far as they are due to changes, rises or falls, in wages when capital of different organic composition is invested in different spheres— are admitted and taken into consideration the law remains valid; that "the relative values" of the commodities are determined by labour-time does not *contradict* the law; for all other changes— changes that are not merely transitory—in the cost-prices of the commodities can only be explained by a change in the necessary labour-time required for their respective production.

On the other hand, it must be regarded as a great merit that Ricardo associates the differences in fixed and circulating capital with the varying periods of turnover of capital and that he deduces all these differences from the varying periods of *circulation*, i.e., in fact from the *circulation* or *reproduction period of capital.*

First of all, let us consider these differences themselves, as he presents them in Section IV (Chapter I) and then examine his views on how they act or bring about variations in the "relative values".

> 1. "In every state of society, the tools, implements, buildings, and machinery employed in different trades may be of *various degrees of durability*, and may

require *different portions of labour to produce them*" (l.c., p. 25).

So far as the "different portions of labour to produce them" are concerned, this can imply—and here it seems to be Ricardo's sole point—that the less durable ones require *more* labour (recurring, directly applied labour), partly for their repair and partly for their reproduction; or it can also mean that machinery etc. of *the same degree of durability* may be more or less expensive, the product of more or less labour. This latter aspect, important for the proportion of variable to constant capital, is not relevant to Ricardo's consideration and therefore he does not take it up anywhere as a separate point.

||530| 2. "The proportions, too, in which the capital that is to support labour" (the variable capital), "and the capital that is invested in tools, machinery, and buildings" (fixed capital), "may be *variously combined*". Thus we have a "difference in the *degree of durability of fixed capital*, and this variety in the proportions in which *the two sorts of capital may be combined*" (l.c., p. 25).

It is at once evident why he is not interested in that part of constant capital which exists as raw material. The latter is itself part of circulating capital. A rise in wages does not cause *increased expenditure* on that part of capital which consists of machinery and does not need *to be replaced* but remains available; the rise, however, causes an increased outlay for that part which consists of *raw material*, since this has to be constantly replenished, hence also constantly reproduced.

"The food and clothing consumed by the labourer, the buildings in which he works, the implements with which his labour is assisted, are all of a *perishable nature*. There is however a vast difference in the time for which these different capitals will endure...According as capital is rapidly perishable, and requires *to be frequently reproduced*, or is of slow

> consumption, it is classed under the heads of circulating, or of fixed capital" (l.c., p. 26).

Thus the difference between fixed and circulating capital is here reduced to the difference in the *time of reproduction* (which coincides with the period of circulation).

> 3. "It is also to be observed that the *circulating* capital may *circulate*, or be *returned to its employer*, in *very unequal times*. The *wheat bought by a farmer to sow*[*] is comparatively a fixed capital to the wheat purchased by a baker to make into loaves. One leaves it in the ground, and can obtain no return for a year; the other can get it ground into flour, sell it as bread to his customers and have his capital free to renew the same, or commence any other employment in a week" (l.c., pp. 26-27).

On what does *this* difference in the circulation periods of different circulating capitals depend? [On the fact] that in one case, the same capital remains for a longer time in the *actual sphere of production*, though the *labour-process* does not continue. This applies, for instance, to wine which lies in the cellar to attain maturity, or to certain chemical processes in tanning, dyeing etc.

> "Two trades then may employ *the same amount of capital;* but it may be very differently divided with respect to the portion which is fixed, and that which is circulating." (l.c., p. 27.)

4. "Again two manufacturers may employ the same amount of fixed, and the same amount of circulating capital; but the *durability of their fixed capitals*" (therefore also their period of reproduction) "may he very unequal. One may have steam-engines of the value of £10,000 the other, ships of the same value" (l.c., pp. 27-28).

> "Different degrees of durability of ...capitals, or, which is the same thing ...*of the time which must elapse* before one set of commodities can be brought to market" (l.c., p. 30).

5."It is hardly necessary to say, that commodities which have *the same quantity of labour bestowed on[a] their production*, will differ in exchangeable value, if they cannot be brought *to market in the same time*" (l.c., p. 34).

[Thus we have:] 1. A difference in the proportion of fixed to circulating capital. 2. A difference in the period of turnover of *circulating* capital as a result of a break in the labour-process while the production process continues. 3. A difference in the *durability* of fixed capital. 4. A difference in the relative period during which a commodity is altogether subjected to the labour-process (without any break in the labour-process or without any difference between production period and labour period) before it can enter the actual circulation process. The last case is described by Ricardo as follows:

> "Suppose I employ twenty men at an expense of £1,000 for a year in the production of a commodity, and at the end of the year I employ twenty men again for another year, at a further expense of £1,000 in finishing or perfecting the same commodity, and that I bring it to market at the end of two years, if *profits be 10 per cent*, my commodity must sell for £2,310; for I have employed £1,000 capital for one year, and £2,100 capital for one year more. Another man employs precisely the same quantity of labour, but he employs it all in the first year; be employs forty men at an expense of £2,000, and at the end of the first year he sells it with 10 per cent profit, or for £2,200. Here then are two commodities *having precisely the some quantity of labour bestowed on them*, one of which sells for £2,310—the other for £2,200" (l.c., p. 34).

||531| But how is a change in the *relative values* of these commodities brought about by this difference—whether in the degree of durability of fixed capital, or in the period of turnover of circulating capital, or in the proportions in which the two sorts of capital may be combined or, finally, in the time required by different commodities upon which the same quantity of labour is bestowed [to come on to the market]. Ricardo says in the first place, that

> "*This difference* ...and [...] *variety in the proportions*" etc. "*introduce another cause*, besides the greater or less quantity of labour necessary to produce commodities, for the variations in their relative value—this *cause is the rise or fall in the value of labour*" (l.c., pp. 25-26).

And how is this proved?

> "A rise in the wages of labour cannot fail to affect unequally, *commodities* produced under such different circumstances" (l.c., p. 27).

Namely when capitals of *equal size* are employed in *different* industries, and one capital consists chiefly of fixed capital and contains only a small amount of capital "employed in the support of labour" (l.c., p. 27), whereas in the other capital the proportions are exactly the reverse. To begin with, it is nonsense to say that the "commodities" are affected. He means their *values*. But how far are the values affected by these circumstances? Not at all. In both cases it is the profit which is affected. The man who, for instance, lays out only $^{1}/_{5}$ of his capital in variable capital—provided wages and the rate of surplus-labour are constant—can only produce [a surplus-value of] 4 on 100, if the rate of surplus-value is 20 per cent. On the other hand, another man, who lays out $^{4}/_{5}$ in variable capital would produce a surplus-value of 16 [on 100]. For in the first example the capital laid out in wages is $^{100}/_{5}$ = 20 and $^{1}/_{5}$ of 20 or 20 per

cent is 4. And in the second example, the capital laid out in wages equals $^{4}/_{5} \times 100 = 80$. And $^{1}/_{5}$ of 80 or 20 per cent = 16. In the first example the profit would be 4, in the second 16. The average profit for both would be $^{(16+4)}/_{2}$ or $^{20}/_{2} = 10$ per cent. This is actually the case to which Ricardo refers. Thus if they both sold at cost-prices—and this Ricardo *assumes*—then they would each sell their commodity at 110. Supposing wages rose, for example, by 20 per cent. Where previously a worker cost £ 1, he now costs £ 1 4s, or 24s. As before, the first [man] still has to lay out £80 in constant capital (since Ricardo leaves raw materials out of account here, we can do the same) and for the 20 workers whom he employs, he has to lay out 80s. that is £ 4 in addition to the £ 20. His capital therefore now amounts to £ 104 and, since the workers are producing a smaller surplus-value instead of a larger one, he is only left with £ 6 profit out of his £ 110. £ 6 on £104 is $5\ ^{10}/_{13}$ per cent. The other man, however, who employs 80 workers, would have to pay out an additional 320s., i.e., £16. Thus he would have to lay out £116. If he were to sell at £110, he would consequently make a loss of £6 instead of a gain. This, however, is only the case because the average profit has already modified the relation between the labour he has laid out and the surplus-value which he himself produces.

Instead therefore of investigating the important problem: what changes have to take place in order that the one who lays out £80 of his capital of 100 in wages does not make four times as much profit as the other who only lays out 20 of his £100 in wages, Ricardo examines the subsidiary question of how it is that after this great difference has been levelled out, i.e., with a given rate of profit, any alteration of the rate of profit, due to rising wages for instance, would affect the man who employs many workers with his £100 far more than the man who employs few workers with his £100, and hence—provided the rate of profit is the same—the commodity prices of the

one must rise and of the other must fall, if the rate of profit—or the *cost-prices*—is to remain the same.

Ricardo's first illustration has absolutely nothing to do with " a *rise in the value* of *labour*" although he originally stated that the whole of the variation in "the relative values" were to arise from this cause. This is the example:

> "Suppose two men employ one hundred men each for a year in the construction of two machines, and another man employs the same number of men in cultivating corn, each of the machines at the end of the year will be of the same value as the corn, for they will each be produced by the same quantity of labour. Suppose one of the owners of one of the machines to employ it, with the assistance of one hundred men, the following year in making cloth, and the owner of the other machine to employ his also, with the assistance likewise of one hundred men, in making cotton goods, while the farmer continues to employ one hundred men as before in the cultivation of corn. During the second year they will all have employed the same quantity of labour"

<in other words they will have laid out the same capital in wages, but they will by no means have employed *the same quantity of labour*>

> "but the goods and machine together ||532| of the clothier, and also of the cotton manufacturer, will be the result of the labour of two hundred men, employed for a year; or, rather, of the labour of one hundred men for two years; whereas the corn will be produced by the labour of one hundred men for one year, consequently if the corn he of the value of £ 500 the machine and cloth of the clothier together, ought to he of the value of £1,000 and the machine and cotton goods of the cotton manufacturer, *ought to be also of twice the value of the corn*. But *they will be of more than twice the value of the corn*, for *the profit of the clothier's and cotton manufacturer's capital for the first year has*

> *been added to their capitals*, while that of the farmer has been expended and enjoyed. On account then *of the different degrees of durability of their capitals*, or, which is the same thing, on *account of the time which must elapse* before one set of commodities can be brought to market, they will be valuable, not exactly in *proportion to the quantity of labour bestowed on them,—they* will not he as two to one, but something more, *to compensate for the greater length of time which must elapse before the most valuable can be brought to market*. Suppose that for the labour of each workman £50 per annum were paid, or that £5,000 capital were employed and *profits were 10 per cent*, the value of each of the machines as well as of the corn, at the end of the first year, would be £ 5,500. The second year the manufacturers and farmers wilt again employ £5,000 each in support of labour, and will therefore again sell their goods for £5,500; but the men using the machines, to *be on a par with the farmer*, must not only obtain £5,500, for the equal capitals of £5,000 employed on labour, but they must obtain a further *sum of £550; for the profit on* £5,500, *which they have invested in machinery*, and *consequently*" (because actually, *an equal annual rate of profit of 10 per cent is assumed* as a necessity and a law) "their goods must *sell for £6,050*"[l.c., pp. 29-30].

<That is, *average prices* or *cost-prices different* from the values of the commodities come into being as a result of the average profit—the *general rate of profit presupposed* by Ricardo.>

> "Here then are capitalists employing precisely the *same quantity of labour annually* on the production of their commodities, and yet *the goods they produce differ in value on account of the different quantities of fixed capital*, or accumulated labour, employed by each respectively" (l.c., pp. 30-31).

<Not on account of that, but on account of both those ragamuffins having the fixed idea that both of them must draw the same spoils from "the support they have given to labour"; or that, whatever the respective *values* of their commodities, those commodities must be sold at *average prices*, giving each of them the same rate of profit.>[b]

> "The cloth and cotton goods are of the same value, because they are the produce of equal quantities of labour, and equal quantities of fixed capital; but corn is not of the *same value"* <should read cost-price> "as these commodities, *because it is produced, as far as regards fixed capital, under different circumstances*" (l.c., p. 31).

This exceedingly clumsy illustration of an exceedingly simple matter is so complicated in order to avoid saying simply: Since capitals of equal size, whatever the ratio of their organic components or their period of circulation, yield *profits of equal size*—which would be impossible if the commodities were sold at *their values* etc.—there exist *cost-prices* which differ from the values of commodities. And this is indeed implied in the concept of a *general rate of profit*.

Let us examine this complicated example and reduce it to its genuine dimensions, which are hardly "complicated". And for this purpose let us begin from the end and note at the outset, in order to reach a clearer understanding, that Ricardo "presupposes" that the farmer and the cotton manufacturer spend nothing on raw material, that, furthermore, the farmer does not lay out any capital for instruments of labour and, finally, that no part of the fixed capital laid out by the cotton-manufacturer enters into his product as wear and tear. Though all these assumptions are absurd, they do not in themselves affect the illustration.

Having made these assumptions, and starting Ricardo's example from the end, it runs as follows: The farmer lays

out £5,000 in wages; the cotton fellow lays out £5,000 in wages and £5,500 in machinery. The first therefore spends £5,000 and the second £10,500; the second ||533| thus spends as much again as the first. If therefore both are to make a profit of 10 per cent, the farmer must sell his commodity at £ 5,500 and the cotton fellow his at £6,050 (since it has been assumed that no part of the £5,500 expended in machinery forms part of the value of the product as wear and tear). One absolutely cannot conceive what Ricardo intended to elucidate in this example, apart from the fact that the cost-prices of commodities—in so far as they are determined by the value of the outlay embodied in the commodities plus the same annual rate of profit—*differ* from the values of the commodities and that this difference arises because the commodities are sold at prices that will yield the *same rate of profit* on the capital advanced; in short, that this difference between *cost-prices* and *values* is identical with a *general rate of profit*. Even the difference between fixed capital and circulating capital which he introduces here is, in this example, sheer humbug. Since if, for instance, the additional £5,500 which the cotton spinner employs, consisted of raw materials, while the farmer did not require any seeds etc., the result would be exactly the same. Neither does the example show, as Ricardo asserts, that

> "the goods they" (the cotton-manufacturer and the farmer) "produce differ in value *on account of the different quantities of fixed capital*, or accumulated labour, employed by each respectively" (l.c., p. 31).

For according to his assumption, the cotton-manufacturer employs a fixed capital of £5,500 and the farmer nil; the one employs fixed capital, the other does not. By no means do they, therefore, employ it "in different quantities", any more than one could say that, if one person eats meat and the other eats no meat, they consume meat "in different quantities". On the other

hand it is correct (though very wrong to introduce the term surreptitiously with an "or") that they employ "accumulated labour", i.e., materialised labour, "in different quantities", namely, one to the amount of £10,500 and the other only £5,000. However, the fact that they employ "different quantities of accumulated labour" only means that they lay out "different quantities of capital" in their respective trades, that the amount of profit is proportionate to this difference in the size of the capitals they employ, because *the same rate of profit* is assumed, and that, finally, this difference in the amount of profit, proportionate to the size of the capitals, is expressed, represented, in the respective cost-prices of the commodities. But whence the clumsiness in Ricardo's illustration?

> "Here then are capitalists employing precisely the *same quantity of labour annually* on the production of their commodities, and yet the goods they produce differ in value" (l.c., pp. 30-31).

This means that they do not employ the same quantity of labour—immediate and accumulated labour taken together—but they do employ the same quantity of variable capital, capital laid out in wages, the same quantity of living labour. And since money exchanges for accumulated labour, i.e., existing commodities, in the form of machines etc., only according to the law of commodities, since *surplus-value* comes into being only as the result of the appropriation without payment of a part of the living labour employed—it is clear (since, according to the assumption, no part of the machinery enters into the commodity as wear and tear) that both can only make the same profit if profit and surplus-value are identical. The cotton-manufacturer would have to sell his commodity for £5,500, like the farmer, although he lays out more than twice as much capital. And even if the whole of his machinery passed into the commodity, he could only sell his commodity for £11,000; he would make

a profit of less than 5 per cent, while the farmer makes 10. But with these *unequal* profits, the farmer and the manufacturer would have sold the commodities at their *values*, provided that the 10 per cent made by the farmer represented actual unpaid labour embodied in his commodity. If therefore, they sell their commodities at an equal profit, then this must be due to one of two things: either the manufacturer arbitrarily adds 5 per cent on to his commodities and then the commodities of the manufacturer and the farmer, taken together, are sold *above* their value; or the actual surplus-value which the farmer makes is, for instance, 15 per cent and both add the average of 10 per cent on to their commodity. In this case, although the cost price of the respective commodity is either above or below its value, both commodities *taken together* are *sold at their value* and the equalisation of the profits is itself determined by the total surplus values they contain. Here, in Ricardo's above proposition, when correctly modified, lies the truth, [namely] that capitals of equal size, containing [different] proportions of variable to constant capital, must result in commodities of unequal values and thus yield different profit; the levelling out of these profits must therefore result in *cost-prices* which *differ* from the values of the commodities.

> "Here then are capitalists employing precisely the same quantity of" (immediate, living) "labour annually on the production of the commodities, and yet the goods they produce differ in value" (i.e., have cost-prices different from their values) "on account of the different quantities of ...accumulated labour employed by each respectively" [l.c., pp. 30-31.]

But the idea foreshadowed in this passage is never clearly stated by Ricardo, It only explains the meanderings and obvious fallaciousness of the illustration, which up to this point had nothing to do with the "different quantities of *fixed capital* employed".

Let us now go further back in the analysis. In the first year, the manufacturer builds a machine with a hundred men; the farmer, meanwhile, produces corn, also with a hundred men. In the second year the manufacturer uses the machine to manufacture cotton, for which he again employs a hundred men. The farmer, on the other hand, again employs a hundred men for the cultivation of corn. Suppose, says Ricardo, the value of corn is £500 per annum. Let us assume that the unpaid labour contained therein equals 25 per cent [of the labour paid for], i.e., [of] 400 = 100. Then at the end of the first year, the machine would also be worth £500, of which £400 would be paid labour and £100 the value of the unpaid labour. Let us ||534| assume that by the end of the second year, the whole of the machine has been used up, has passed into the value of the cotton. In fact Ricardo assumes this, in that, at the end of the second year, he compares not only the value of the cotton goods, but "the value of the cotton goods and the machine" with "the value of the corn "[l.c., p. 29].

Well then. At the end of the second year, the value of the cottons must be equal to £1,000, namely, £500 the value of the machine, and £500 the value of the newly-added labour. The value of the corn, on the other hand, is £500, namely, £400 the value of the wages and £100 unpaid labour. So far, there is nothing in this case which *contradicts the law of value*. The cotton-manufacturer makes a profit of 25 per cent just as the corn-manufacturer does. But the commodities of the former equal £1,000 and those of the latter equal £500, because the former commodity embodies the labour of 200 men and the latter the labour of only 100 in each year. Furthermore, the £100 profit (surplus-value) , which the cotton-manufacturer has made on the machine in the first year—by absorbing $^1/_5$ of the labour of the workers who constructed it, without paying for it—are only realised for him in the second year, since it is only

then that he realises in the value of the cotton, simultaneously the value of the machine. But now we come to the point. The cotton-manufacturer sells for more than £1,000, i.e., at a higher value than his commodity has, while the farmer sells his corn at £500, thus, according to our assumption, at its value. If, therefore, there were only these two people to exchange with one another, the manufacturer obtaining corn from the farmer and the farmer cotton from the manufacturer, then it would amount to the same as if the farmer sold his commodity *below* its value, making less than 25 per cent [profit] and the manufacturer sold his cotton *above* its value. Let us do without the two capitalists (the cloth-man and the cotton-man) whom Ricardo introduces here quite superfluously, and let us modify his example by only referring to the cotton-manufacturer. Ricardo's double calculation is of no value at all to the illustration at this point. Thus:

> "But they" (the cottons) "*will be of more than twice the value of the corn*, for the *profit* on the *... cotton-manufacturer's capital for the first year* has been added to their capitals, while that of the farmer has been expended and enjoyed" [l.c., p. 30].

(This latter bourgeois extenuating phrase is here quite meaningless from a theoretical standpoint. Moral considerations have nothing to do with the matter.)

> "On *account then of the different degrees of durability of their capitals*, or, which is the same thing, on *account of the time which must elapse before one set of commodities can be brought to market*, they will he valuable, not exactly in proportion to the quantity of labour bestowed on them,—they will not be as two to one, but something more, to *compensate for the greater length of time which must elapse before the most valuable can be brought to market*" (l.c., p. 30).

If the manufacturer sold the commodity at its value, then he would sell it at £1,000, twice the price of corn, because it embodies twice as much labour, £500 of accumulated labour in the machinery (£100 of which he has not paid for) and £500 labour employed in the production of cotton, 100 of which again he has not paid for. But he calculates like this: the first year I laid out £400 and by exploiting the workers, I produced a machine with this, which is worth £500. I thus made a profit of 25 per cent. The second year I laid out £900, namely, £500 in the said machine and again £400 in labour. If I am again to make 25 per cent, I must sell the cotton at £1,125, i.e., £125 *above* its value. For this £125 does not represent any labour contained in the cotton, neither labour accumulated in the first year nor labour added in the second. The aggregate amount of labour contained in the cotton only amounts to £1,000. On the other hand, suppose the two exchange with one another, or that half the capitalists find themselves in the position of the cotton-manufacturer and the other half in the position of the farmer. How are the first half to be paid £ 125? *From what fund? Obviously only from* the *second half. But then it is clear* that this second half does not make a profit of 25 per cent, Thus the first half would cheat the second under the pretext of a *general rate of profit*, while, in fact, the rate of profit would be 25 per cent for the manufacturer and below 25 per cent for the farmer. It must, therefore, come about in a different way.

In order to make the illustration clearer and more accurate, let us suppose the farmer uses £900 in the second year. Then, with a profit of 25 per cent, he has made £100 on the £400 laid out in the *first year*, and £225 in the second, altogether £325. As against this, the manufacturer makes 25 per cent on the £400 in the first year, but in the second only £100 on £900, i.e., only 11 $^{1}/_{9}$ per cent (since only the £400 laid out in labour yield surplus-value, whereas the £500 in machinery yield

none). Or let us suppose the farmer lays out £400 again, then he has made 25 per cent in the first year as well as in the second; which taken together is 25 per cent or £200 on an outlay of £800 in two years. As against this, the manufacturer will have made 25 per cent in the first year and 11 $^{1}/_{9}$ in the second; i.e., £200 on an outlay of £ 1,300 in two years which amounts to 15 $^{5}/_{13}$ per cent. If this were levelled out, the manufacturer would receive 20 $^{5}/_{26}$ per cent and so would the farmer. In other words, this would be the average profit. This would result in [a price of] less than £500 for the farmer's commodity and more than £1,000 for the manufacturer's commodity.

||535| At all events, the manufacturer here lays out £400 in the first year and £900 in the second, while the farmer lays out only £400 on each occasion. If the manufacturer instead of producing cotton had built a house (if he were a builder) then at the end of the first year, the unfinished house would embody £500 and he would have to spend a further £400 on labour in order to complete it. The farmer, however, whose capital turned over within the year, can recapitalise a part, say 50, of his £100 profit and spend it again on labour, which the manufacturer, in the supposed case, cannot do. If the rate of profit is to be the *same* in both cases, then the commodity of one must be sold *above* its value and that of the other *below* its value. Since competition strives to level out values into cost-prices, this is what happens.

But it is incorrect to say, as Ricardo does, that here a variation in the relative values takes place "on account of the different degrees of durability of capitals" (p. 30) or "on account of the time which must elapse before one set of commodities can be brought to market" (p. 30). It is, rather, the adoption of a *general rate of profit*, which despite the different values brought about by the circulation process, gives rise to equal *cost-prices* which are *different* from values, for values are determined only by labour-time.

Ricardo's illustration consists of two examples. The *durability* of capital, or the character of capital as fixed capital, does not enter into the second example at all. It only deals with capitals of different size, but of which the same amount is laid out in wages, as variable capital, and where profits are to be equal, although the surplus-values and values must be different.

Neither does *durability* enter into the first example. It is concerned with the *longer labour-process*—the longer period during which the commodity has to remain within the sphere of production, before it *becomes a finished commodity* and can enter into circulation. In this example of Ricardo the manufacturer also employs more capital in the second year than the farmer although he employs the same amount of variable capital in both years. The farmer, however, could employ a greater variable capital in the second year, because his commodity remains within the labour-process for a shorter period and is converted more quickly into money. Besides, that part of profit which is consumed as revenue, is already available to the farmer at the end of the first year, but to the manufacturer only at the end of the second. The latter must therefore spend an additional amount of capital for his keep which he *advances* to himself. Incidentally, whether in the second case a compensation can take place and profits can be *equalised* depends here entirely on the degree to which the profits of the capitals which are turned over in one year are recapitalised, in other words, on the actual amount of profits produced. Where there is nothing, there is nothing to equalise. Here the capitals again produce values, hence surplus-values, hence profits not in proportion to the size of the capital; If profits are to be proportionate to their size, then there must be *cost-prices* different from the values.

Ricardo gives a third illustration, which, however, is again *exactly* the same as the first example of the first illustration and contains nothing new at all.

> "Suppose I employ twenty men at an expense of £1,000 for a year in the production of a commodity, and at the end of the year I employ twenty men again for another year, at a further expense of £1,000 in finishing or perfecting the same commodity, and that I bring it to market at the end of two years, if profits be 10 per cent, my commodity must sell for £2,310; *for* I have employed £1,000 capital for one year, and £2,100 capital for one year more. Another man employs precisely the same quantity of labour, but he employs it all in the first year; he employs forty men at an expense of £2,000, and at the end of the first year he sells it with 10 per cent *profit*, or for £2,200. Here then are two commodities having precisely the same quantity of labour bestowed on them, one of which sells for £2,310—the other for £2,200. This case *appears* to differ from the last, but is, *in fact*, the same" (l.c., pp. 34-35).

It is not only the same "in fact", but "in appearance" too, except that in the one case the commodity is called "machine" and here simply "commodity". In the first example, the manufacturer laid out £400 in the first year and £900 in the second. This time he lays out £1,000 in the first and £2,100 in the second. The farmer laid out £400 in the first and £400 in the second. This time, the second man lays out £2,000 in the first year and nothing in the second. That is the whole difference. In both cases, however, the fable turns on the fact that one of the men lays out in the second year the whole of the product of the first (including surplus-value) plus an additional sum.

The clumsiness of these examples shows that Ricardo is wrestling with a difficulty which he does not understand and succeeds even less in overcoming. The clumsiness consists in this: The first example of the first illustration is meant to bring in the *durability* of capital; it does

nothing of the sort; Ricardo himself has made this *impossible* because he does not let any part of fixed capital enter into the commodity as wear and tear, thus excluding the very factor through which the *peculiar mode of circulation of fixed capital* becomes evident. He merely demonstrates that as a consequence of the longer duration of the labour-process, a *greater* capital is employed than where the labour-process takes a shorter time. The third example is supposed to illustrate something different, but in reality illustrates the same thing. The *second example* of the first ||536| illustration, however, is intended to show what differences arise as a result of different ratios of fixed capital. Instead it only shows the difference brought about by two capitals of *unequal* size, although the same amount of capital is laid out in wages. And, furthermore, the manufacturer operates without cotton and yarn and the farmer without seeds or implements! The complete inconsistency, even absurdity, of this illustration necessarily arises from this underlying lack of clarity.

[b) Ricardo's Confusion of Cost-Prices with Value and the Contradictions in His Theory of Value Arising Therefrom. His Lack of Understanding of the Process of Equalisation of the Rate of Profit and of the Transformation of Values into Cost-Prices]

Finally he states the practical conclusions to be drawn from all these illustrations:

> "The difference in value arises in both cases from the *profits* being accumulated as capital, and is only a *just compensation*" (as though it were a question of justice here) "*for the time that the profits were withheld*" (l.c., *p.* 35).

What does this mean, other than that in *a definite period of circulation, for instance a year*, a capital must yield 10 per cent whatever its specific period of circulation may be and quite independently of the *various surplus-values* which according to the proportion of their organic component parts *capitals of equal size* must produce in different branches of production, irrespective of the circulation process.

Ricardo should have drawn the following conclusions:

[*Firstly:*] Capitals of equal size produce commodities of unequal *values* and therefore yield *unequal surplus-values* or *profits*, because value is determined by labour-time, and the amount of labour-time realised by a capital does not depend on its absolute size but on the size of the variable capital, the capital laid out in wages. *Secondly:* Even assuming that capitals of equal size produce *equal values* (although the inequality in the sphere of production usually coincides with that in the sphere of circulation), the *period* within which they *appropriate equal quantities of unpaid labour* and *convert* these *into money*, still varies in accordance with their *turnover period*. Thus arises a second difference in the values, surplus-values and profits which capitals of *equal size* must yield in different branches of production in a given *period of time*.

Hence, if *profits* as a percentage of capital are to be equal over a period, say of a year, so that capitals of equal size yield equal profits in the same period of time, then the *prices* of the commodities must be different from their *values*. The sum total of these cost-prices of all the commodities taken together will *be equal to their value*. Similarly the total profit will be equal to the total surplus-value which all these capitals yield, for instance, during one year. If one did not take the definition of value as the basis, the *average profit*, and therefore also the cost-prices, would be purely imaginary and

untenable. The equalisation of the surplus-values in different spheres of production does not affect the absolute size of this total surplus-value; but merely alters its *distribution* among the different spheres of production. The *determination of this surplus-value* itself, however, only arises out of the determination of value by labour-time. Without this, the average profit is the average *of nothing*, pure fancy. And it could then equally well be 1,000 per cent or 10 per cent.

All Ricardo's illustrations only serve him as a means to smuggle in the *presupposition of a general rate of profit*. And this happens in the first chapter "On Value", while wages are supposed to be dealt with only in the fifth chapter and profits in the sixth. How from the mere determination of the "*value*" of the commodities their surplus-value, the profit and even a *general* rate of *profit* are derived remains obscure with Ricardo. In fact the only thing which he proves in the above illustrations is that the *prices* of the commodities, in so far as they are determined by the general rate of profit, are entirely different from their *values*. And he arrives at this difference by postulating the rate *of profit* to be law. One can see that though Ricardo is accused of being too abstract, one would be justified in accusing him of the opposite: lack of the power of abstraction, inability, when dealing with the values of commodities, to forget profits, a factor which confronts him as a result of competition.

Because Ricardo, instead of deriving the difference between cost-prices and values from the determination of value itself, admits that "values" themselves (here it would have been appropriate to define the concept of "absolute" or "real value" or "value" as such) are determined by influences that are independent of labour-time and that the law of value is sporadically invalidated by these influences, this was used by his opponents, such as Malthus, in order to attack his whole ||537| theory of value. Malthus correctly remarks that the differences

between the organic component parts of capital and the turnover periods of capitals in different branches of production develop simultaneously with the progress of production, so that one would arrive at Adam Smith's standpoint, that the determination of value by labour-time was no longer applicable to "civilised" times. (See also *Torrens*.) On the other hand his disciples have resorted to the most pitiful scholastic inventions, to make these phenomena consistent with the fundamental principle (see [*James*] *Mill* and the miserable *McCulloch*).

Ricardo *does not dwell on the conclusion which follows from his own illustrations*, namely, that—quite *apart* from the rise or fall of wages—on the assumption of constant wages, the cost-prices of commodities must differ from their values, if cost-prices are determined by the same percentage of profit. But he passes on, in this section, to the influence which the rise or fall of wages exerts on *cost-prices* to which the values have already been levelled out.

The matter is in itself extraordinarily simple.

The farmer lays out £5,000 at 10 per cent; his commodity equals £5,500. If the profit falls by 1 per cent from 10 to 9, because wages have risen and the rise in wages has brought about this reduction, then he continues to sell at £5,500 (since it is assumed that he lays out the whole of his capital in wages). But of these £5,500 only £454 $^{14}/_{109}$ belong to him and not £500. The capital of the manufacturer consists of £5,500 for machinery and £5,000 for labour. As before, the latter £5,000 results in a product of £5,500, except that now the manufacturer does not lay out £5,000 but £5,045 $^{95}/_{109}$ and on this he makes a profit of only £454 $^{14}/_{109}$, like the farmer. On the other hand he can no longer reckon 10 per cent or £550 on his fixed capital of £5,500 but only 9 per cent or £ 495. He will therefore sell

his commodity at £5,995 instead of at £6,050. Thus, as a result of the rise in wages, the money price of the farmer's commodity has remained the same, while that of the manufacturer has fallen, the value of the farmer's commodity compared with that of the manufacturer has therefore risen. The whole point of the matter is that if the manufacturer sold his commodity at the same value as before, he would make a higher profit than the average, because only the part of his capital that has been laid out in wages is directly affected by the rise in wages. This illustration in itself already *assumes* cost-prices regulated by an average profit of 10 per cent and *differing from* the *values of* the *commodities*. The question is, how are these cost-prices affected by the rise or fall in profit, when the capitals employed contain different proportion of fixed and circulating capital. This illustration (Ricardo, l.c., pp. 31-32) has nothing to do with the essential question of the *transformation of values* into cost-prices. But it is a nice point because Ricardo in fact demonstrates here that, if the composition of the capitals were the same, a rise in wages—contrary to the vulgar view—would only bring about a lowering of profits without affecting the values of the commodities; if the composition of the capitals is unequal, then it will only bring about a *fall* in the price of some commodities instead of—as vulgar opinion maintains—a rise in the *price of all commodities*. Here the fall in the prices of commodities results from a fall in the rate of profit or, which amounts to the same thing, a rise in wages. In the case of the manufacturer a large part of the *cost-price* of the commodity is determined by the average profit which he reckons on his fixed capital. If therefore this rate of profit falls or rises as a result of the rise or fall in wages, then the *price of these* commodities will fall or rise correspondingly—that is in accordance with that part of the price which results from the profit calculated upon the fixed capital. The same applies to "circulating capitals *returnable* at *distant* periods, and vice

versa. (J.R. McCulloch [*The Principles of Political Economy*, Edinburgh, 1825, p. 300].) If the capitalists who employ less variable capital were to continue to chalk up their fixed capital at the same rate of profit, and add it to the price of the commodity then their rate of profit would rise and it would rise in the proportion in which they employ more fixed capital than those whose capital consists to a greater extent of variable capital. This would be levelled out by competition.

> "Ricardo," says Mac., "was the first who endeavoured to analyse and discover the effects of fluctuations in the rate of wages on the value of commodities, when the capitals employed in their production were not of the same degree of durability." "Ricardo has not only shown that it is impossible for any rise of wages to raise the price of *all* commodities; but...that in many cases a *rise of wages* necessarily leads to a *fall of prices*, and a *fall of wages* to a *rise of prices*" (l.c., pp. 298-99).

Ricardo proves his point by firstly postulating *cost-prices regulated by a general rate of profit*.

Secondly: "*There can be no rise in the value of labour without a fall of profits*". (David Ricardo, *On the Principles of Political Economy, and Taxation*, third edition, London, 1821, p. 31.)

Thus already in Chapter I "*On Value*", those laws are presupposed, which in chapters V and VI "On Wages" and "On Profits" should be deduced from the Chapter "*On Value*". Incidentally, ||538| Ricardo concludes quite wrongly, that because "there can be no rise in the value of labour without a fall of profits", there can be no rise of profits without a fall in the value of labour. The first law refers to surplus-value. But since profit equals the proportion of surplus-value to the total capital advanced, profit can rise though the value of labour remains the same, if the value of constant capital falls. Altogether

Ricardo mixes up surplus-value and profit. Hence he arrives at erroneous laws on profit and the rate of profit.

The general conclusion of the last illustration is as follows:

> "The degree of alteration in the relative value of goods, on account of a rise or fall of labour" (or, which amounts to the same thing, rise or fall in the rate of profit), "would depend on the proportion which the fixed capital bore to the whole capital employed. All commodities which are produced by very valuable machinery, or in very valuable buildings, or which require a great length of time before they can be brought to market, would fall in relative value, while all those which were chiefly produced by labour, or which would be speedily brought to market would rise in relative value" (l.c., p. 32).

Again Ricardo comes to the one point with which he is really concerned in his investigation. These variations in the cost-prices of commodities resulting from a rise or fall in wages are insignificant compared with those variations in the same cost-prices which are brought about by changes in the values of commodities, that is changes in the quantity of labour employed in their production (Ricardo is far from expressing this truth in these adequate terms). One can therefore, by and large, "abstract" from this and, accordingly, the law of value remains virtually correct. (He should have added that the cost-prices remain unintelligible without values determined by labour-time.) This is the true course of his investigation. In fact it is clear that despite the transformation of the values of commodities into *cost-prices*, the latter having been assumed, a *change* in cost-prices—in so far as it does not arise from a permanent fall or rise, a permanent alteration, in the rate of profit which can only establish itself in the course of many years—can only and solely be caused by a *change* in the values of commodities, in the labour-time necessary for their

production. {And these cost-prices must not be confused with *market-prices:* they are the average market-prices of the commodities in the different branches of production. *Market-price* itself already includes an average in so far as commodities of *the same sphere* are determined by the prices of those commodities which are produced *under the mean, average conditions of production of this sphere*. By no means under the *worst conditions*, as Ricardo assumes with rent, because the average demand is related to a certain price, even with corn. A certain amount of the supply is therefore not sold *above* this price. Otherwise the demand would fall. Those whose conditions of production are not average but *below* average, must therefore often sell their commodity not only below its value but below its *cost price.}*

> "The reader, however, should remark, that this cause of the variation of commodities" (this should read variations of cost-prices or, as he *calls them*, relative va1ues of commodities) "is comparatively slight in its effects Not so with the other great cause of the variation in the value of commodities, namely, the increase or diminution in the quantity of labour necessary to produce them...An alteration in the permanent rate of profits, to any great amount, is the effect of causes which do not operate but in the course of years; whereas alterations in the quantity of labour necessary to produce commodities, are of daily occurrence. Every improvement in machinery, in tools, in buildings, in raising the raw material, saves labour, and enables us to produce the commodity to which the improvement is applied with more facility, and consequently its *value* alters. In estimating, then, the causes of the variations in the value of commodities, although it would be wrong wholly to omit the consideration of the effect produced by a rise or fall of labour, it would be equally incorrect to attach much importance to it..." (l.c., pp. 32-33).

He therefore takes no further account of this.

The whole of this Section IV of Chapter I "*On Value*" is so extraordinarily confused, that, although Ricardo announces at the start that he intends to *consider* the *variations* in the va1ues of commodities brought about by the *rise or fall in wages* in conjunction with different composition of capital, he actually does this only occasionally. In fact, he fills the major part of Section IV with illustrations which prove that, *quite independently* of the *rise or fall* of wages—he himself assumes that wages remain constant—the *postulation* ||539| of a *general rate of profit* must result in cost-prices which differ from the values of the commodities and, moreover, that this does not even depend on the difference [in the proportion] of fixed and circulating capital. He forgets this again at the end of the section.

He announces the subject of his inquiry in Section IV with the words:

> "This difference in the degree of *durability* of fixed capital, and this *variety in the proportion* in which the two sorts of capital may be combined, introduce *another cause*, besides the greater or less quantity of labour necessary to produce commodities, for the variations in their relative value—this *cause is the rise or fall in the value of labour*" (l.c., pp. 25-26).

In fact, he shows by his illustrations, in the first place, that it is only the *general rate of profit* which enables the different combinations of types of capital (namely, variable and constant etc.) to differentiate the prices of commodities from their values, that therefore the *cause* of those variations is the general rate of profit and not the value of labour, which is assumed to be constant. Then—only in the second place—he assumes cost-prices already differentiated from values as a result

of the general rate of profit and he examines how variations in the value of labour affect these. Number 1, the main point, he does not investigate; he loses sight of it altogether and he closes the section as he began it:

> "...it being shown in this section that without any variation in the quantity of labour, *the rise of its value* merely will occasion a fall in the exchangeable value of those goods, in the production of which *fixed capital* is employed; the larger the amount of fixed capital, the greater will he the fall" (l.c., p. 35).

And in the following Section V (Chapter I) he continues on the same lines, in other words, he only investigates how the *cost-prices* of commodities can be altered by a *variation in the value of labour, or wages*, not when the proportion of fixed and circulating capitals is different in two capitals of equal size employed in two different spheres of production, but when there is "*unequal durability* of the capital"[c] or "*unequal rapidity* with which it is *returned* to its *employer*"[d] [l.c., p. 36]. The correct surmise implied in Section IV, regarding the *difference between cost-prices and values* brought about by the general rate of profit is here no longer noticeable. *Only a secondary question is examined here, namely, the variation in the cost-prices themselves.* This section, therefore, is in fact of hardly any theoretical interest, apart from the occasional mention of differences in the form of capital arising from the circulation process.

> "In proportion as fixed capital is less durable, it approaches to the nature of circulating capital. It will be consumed and its *value reproduced in a shorter time*, in order to preserve the capital of the manufacturer" (l.c., p. 36).

Thus the lesser durability and the difference between fixed and circulating capital in general, are reduced to the difference in the *period of reproduction*. This is certainly a factor of decisive importance. But by no means the only

one. Fixed capital enters wholly into the labour-process and only in successive stages and by instalments into the process of creating value. This is another major distinction in their form of circulation. Furthermore: fixed capital *enters—necessarily* enters—only as *exchange-value* into the process of circulation, while its *use-value* is consumed in the labour-process and never goes outside it. This is another important distinction in the *form of circulation*. Both distinctions in the form of circulation also concern the period of circulation; but they are not identical with the degrees [of durability of fixed capital] and the differences [in the period of circulation].

Less durable capital *constantly* requires a greater quantity of *labour*,

> "to keep it in its original state of efficiency; but the labour so bestowed may be considered as really expended on the commodity manufactured, which must bear a value in proportion to such labour". (l.c., pp. 36-37.)"...if the wear and tear of the machine were great, if the quantity of labour requisite to keep it in an efficient state were that of fifty men annually, I should require an additional price for my goods, equal to that which would be obtained by any other manufacturer who employed fifty men in the production of other goods, and who used no machinery at all. But a rise in the wages of labour would not equally affect commodities produced with machinery quickly consumed, and commodities produced with machinery slowly consumed, In the production of the one, a *great deal of labour would be continually transferred to the commodity* produced..." [l.c., p. 37].

<but he is so occupied with his general rate of profit, that he does not see that thereby a relatively great deal of surplus-labour would be continually transferred to the commodity>

> "in the other very little would be so transferred" [l.c., p. 37].

<Hence very little surplus-labour, hence much less [surplus]-value, if the commodities exchanged according to their values.>

> "Every rise of wages, therefore, or, which is the same thing, ||540| every fall of profits, would lower the relative value of those commodities which were produced with a capital of a durable nature, and would proportionally elevate those which were produced with capital more perishable. A fall of wages would have precisely the contrary effect" (l.c., pp. 37-38).

In other words: The manufacturer who employs fixed capital of less durability employs relatively less fixed capital and more capital expended in wages, than the one who employs capital of greater durability. This case is therefore identical with the previous one, illustrating how a variation in wages affects capitals, one of which consists of relatively, proportionately, more fixed capital than the other, There is nothing new [here].

What Ricardo further says about *machinery* on pp. 38-40 should be held over until we come to Chapter XXXI "*On Machinery*".

It is curious how Ricardo, at the end, almost expresses the correct idea in a passing *phrase* only to let it go again and after touching upon it in the passages we are about to quote, returns again to his dominating idea of the effect of a change in the value of labour on cost-prices and finally concludes the investigation with this *secondary consideration*.

The passage containing the allusion is the following:

> "It will be seen, then, that in the early stages of society, before much machinery or durable capital is used, the commodities produced

> by *equal capitals* will he nearly of *equal value*, and will rise or fall only relatively to each other on account of more or less labour being required for their production" [l.c., p. 40].

<The final clause is badly worded; it refers moreover not to value but to *commodities*, and is meaningless, unless it refers to their *prices;* for to say that *values* fall in proportion to labour-time means that values fall or rise as they fall or rise.>

> "but after the introduction of these expensive and durable instruments, the *commodities produced by the employment of equal capitals will be of very unequal value;* and although they will still he liable to rise or fall relatively to each other, as more or less labour becomes necessary to their production, they will he subject to another, though a minor variation, also, from the rise or fall of wages and profits. Since goods which sell for £5,000 may be the produce of a capital equal in amount to that from which are produced other goods which sell for £10,000, the *profits on their manufacture will be the same;* but those *profits would be unequal*, if *the prices of the goods* did not vary with a rise or fall in *the rate of profits*" (l.c., pp. 40-41).

In fact Ricardo says:

Capitals of equal size produce commodities of *equal values*, if the ratio of their organic component parts is *the same;* if equally large portions of them are expended on wages and on means of production. The same quantities of labour, therefore equal values (apart from the difference which might arise through the circulation process) are then embodied in their commodities. On the other hand, capitals of *equal size* produce commodities of *very unequal value*, when their organic composition is different, namely, when the proportion between the part existing as fixed capital and the part laid out in wages differs considerably.

Firstly, only a part of the fixed capital enters into the commodity as a component part of value, consequently the *magnitude of their values* will greatly vary according to whether much or little fixed capital is employed in the production of the commodity. Secondly, the part laid out in wages—calculated as a percentage on capital of equal size—is much smaller, therefore also the total [newly added] labour embodied in the commodity, and consequently the surplus-labour (given a working-day of equal length) which constitutes the surplus-value. If, therefore, these capitals of equal size—whose commodities are of *unequal values* and these unequal values *contain unequal surplus-values*, and therefore *unequal profits*—if these capitals because of their equal size are to yield equal profits, then the *prices of commodities* (as determined by the general rate of profit on a given outlay) must be very different from the *values of the commodities*. Hence it follows, not that the values have altered their nature, but that the *prices* are different from the *values*. It is all the more surprising that Ricardo did not arrive at this conclusion, for he sees that even if one presupposes cost-prices determined by the general rate of profit, a change in the rate of profit (or rate of wages) must change these cost-prices, so that the rate of profit ||541| in the different spheres of production may remain the same. How much more therefore must the establishment of a general rate of profit change unequal values since this *general rate of profit* is in fact nothing other than the levelling out of the different rates of surplus-value in different commodities produced by equal capitals.

Having thus, if not set forth and comprehended, at any rate virtually demonstrated, the difference between cost and value, cost-prices and values of commodities, Ricardo ends with the following sentence:

> "Mr. Malthus appears to think that it is a part of my doctrine, that *the cost* and *value* of a

> thing should be the same;—*it is*, it he means by cost, *'cost of production' including profits*" (l.c., p. 46, note). (That is, outlay plus profit as determined by the general rate of profit.)

With this erroneous confusion of cost-prices and values, which he has himself refuted, he then proceeds to consider rent.

With regard to the influence of the variations in the value of labour upon the cost-price of gold, Ricardo says the following in Section VI, Chapter I:

> "May not gold be considered as a commodity produced with such proportions of the two kinds of capital as approach nearest to the average quantity employed in the production of most commodities? May not these proportions be so nearly equally distant from the two extremes, the one where little fixed capital is used, the other where little labour is employed, as to form a just mean between them?" (l.c., p. 44).

This is far more applicable to those commodities into whose composition the various organic constituents enter in the average proportion, and whose period of circulation and reproduction is also of average length. For these, cost-price and value coincide, because for them, and only for them, average profit coincides with their actual surplus-value.

As inadequate as sections IV and V of Chapter I appear in their consideration of the influence of the variations in the value of labour on "relative values", theoretically a secondary matter compared with the transformation of values into cost-prices through the average rate of profits, so important is the conclusion which Ricardo draws from this, thereby demolishing one of the major errors that had persisted since Adam Smith, namely, that the raising of wages, instead of reducing profits, raises the prices of commodities. This is indeed already implied in the very

concept of *values* and is in no way altered by the transformation of values into cost-prices, since this, in any case, only affects the *distribution of the surplus-value made by the total capital* among the various branches of production or different capitals in different spheres of production. But it was important that Ricardo stressed this point and even proved the opposite to be the case. He is therefore justified in saying in Section VI, Chapter I:

> "Before I quit this subject, it may be proper to observe, that Adam Smith, and all the writers who have followed him, have, without one exception that I know of, maintained that a rise in the price of labour would be uniformly followed by a rise in the price of all commodities" [l.c., p. 45].

<This corresponds to Adam Smith's second explanation of value, according to which it is equal to the quantity of labour a commodity can purchase.>

> "I hope I have succeeded in showing that there are no grounds for such an opinion and that only those commodities would rise which had less fixed capital employed upon them *than the medium in which price was estimated*," (here relative value is equivalent to the expression of the value in money), "and that all those which had more, would positively fall in price when wages rose. On the contrary, if wages fell, those commodities only would fall, which had a less proportion of fixed capital employed on them, than the medium in which price was estimated; all those which had more, would positively rise in price" (l.c., p. 45).

With regard to *money* prices this seems *wrong*. When gold rises or falls in value, from whatever causes, then it does so to the same extent for all commodities which are reckoned in gold. Since it thus represents a relatively unchangeable medium despite its changeability, it is not at all clear how any relative combination of fixed capital

and circulating capital in gold, compared with commodities, can bring about a difference. But this is due to Ricardo's *false assumption* that money, in so far as it serves as a medium of circulation, exchanges as a commodity for commodities. Commodities are assessed in gold before it circulates them. Supposing wheat were the medium instead of gold. If, for example, consequent upon a rise in wages, wheat as a commodity into which enters more than the average variable instead of constant capital, were to rise relatively in its price of production, then all commodities would be assessed in wheat of higher "relative value". The commodities into which more fixed capital entered, would be expressed in less wheat than before, not because their specific price had fallen compared with wheat but because their price had fallen in general. A commodity which contained just as much [living] labour—as against accumulated labour—as wheat, would show its rise [in price] by being expressed in more wheat ||542| than a commodity whose price had fallen as compared with wheat. If the same causes which raised the price of wheat, raised, for example, the price of clothes, then although the clothes would not be expressed in more wheat than previously, those [commodities], whose price had fallen compared with wheat, for instance cotton, would be expressed in less. Wheat would be the medium in which the difference in the price of cotton and clothes would be expressed.

But what Ricardo means is something different. He means that: because of a rise in wages, wheat has risen as against cotton but not as against clothes. Thus clothes would exchange for wheat at the old price, whereas cottons would exchange against wheat at the higher price. In itself, the assumption that variations in the price of wages in England, for instance, would alter the cost-price of gold in California where wages have not risen, is utterly absurd. The levelling out of *values* by labour-time and even less the levelling out of *cost-prices* by a general

rate of profit does not take place in this direct form between different countries. But take even wheat, a home product. Say that the quarter of wheat has risen from 40s. to 50s., i.e., by 25 per cent. If the dress has also risen by 25 per cent, then it is worth 1 quarter of wheat as before. If the cotton has fallen by 25 per cent, then the same amount of cotton which was previously worth 1 quarter is now only worth 6 bushels of wheat. And this expression in wheat represents exactly the ratio of the prices of cotton and clothes, because they are being measured in *the same* medium, in 1 quarter wheat.

Moreover, this notion is absurd in another way too. The *price* of the commodity which serves as a measure of value and hence as money, does not exist at all, because otherwise, apart from the commodity which serves as money I would need a second commodity to serve as money—a double measure of values. The relative value of money is expressed in the innumerable prices of all commodities; for in each of these prices in which the exchange-value of the commodity is expressed in money, the exchange-value of money is expressed in the use-value of the commodity. There can therefore be no talk of a rise or fall in *the* price of money. I can say: the price of money in terms of wheat or of clothes has remained the same; its price in terms of cotton has risen, or, which is the same, that the money price of cotton has fallen. But I cannot say that the *price* of money has risen or fallen. But Ricardo actually maintains that, for instance, the price of money in terms of cotton has risen or the price of cotton in terms of money has fallen, because the relative value of money has risen as against that of cotton while it has retained the same value as against clothes or wheat, Thus the two are measured with an *unequal* measure.

This Section VI "*On an Invariable Measure of Value*" [l.c., p. 41] deals with the "*measure of value*" but contains nothing important. The connection between value, its immanent measure—i.e., labour-time—and the necessity

for an *external* measure of the values of commodities is not understood or even raised as a problem.

The very opening of this section shows the superficial manner in which it is handled.

> "When commodities varied in relative value, it *would be desirable* to have the means of ascertaining which of them fell and which rose in real value, and this could be effected only by comparing them one after another with some invariable standard measure [...], which should itself be subject to none of the fluctuations to which other commodities are exposed." (l.c., pp. 41-42). But "...there is no commodity which is not itself exposed to the same variations ...that is, there is none which is not subject to require more or less labour for its production" (l.c., p. 42).

Even if there were such a commodity, the influence of the rise or fall in wages, the different combinations of fixed and circulating capital, the different degrees of durability of the fixed capital employed and the [different] length of time before the commodity can be brought to market, etc., would prevent it from being:

> "...a perfect measure of value, by which we could accurately ascertain the variations in all other things... "It would be a perfect measure of value for all things produced under the same circumstances precisely as itself, but for no others" (l.c., p. 43).

That is to say, if the [prices of this latter group of] "things" varied, we could say (provided the value of money did not rise or fall) that the variations were caused by the rise or fall "in their *values*", in the labour-time necessary for their production. With regard to the other things, we could not know whether the "variations" in their money prices were due to *other reasons*, etc. Later we shall have to come back to this matter which is quite

unsatisfactory. (During a subsequent revision of the theory of money.)

Chapter I, Section VII. Apart from the important doctrine on "*relative*" wages, profits and rents, to which we shall return later, this section contains nothing but the theory that a fall or rise in the value of money accompanied by a corresponding rise or fall in wages etc. does not alter the relations but only their monetary expression. If the same commodity is expressed in double the number of pounds sterling, so also is that part of it which resolves into profit, wages or rent. But the ratio of these three to one another and the real values they represent, remain the same. The same applies when the profit is expressed by double the number of pounds, £ 100 is then however represented by £ 200 so that the relation between profit and capital, the rate of profit, remains unaltered. The changes in the monetary expression affect profit and capital simultaneously, ditto profit, wages and rent. This applies to rent as well in so far as it is not calculated on the acre but on the capital advanced in agriculture etc. In short, in this case the variation is not in the commodities etc.

> "A rise of wages from this cause will, indeed, be invariably accompanied by a rise in the price of commodities; but in such cases, it will be found that labour and all commodities have not varied in regard to each other, and that the variation has been confined to money" (l.c., p. 47).

[5.] Average or Cost-Prices and Market-Prices

[a) Introductory Remarks: Individual Value and Market-Value; Market-Value and Market-Price]

||543| In developing his theory of differential rent, in Chapter II, "*On Rent*", Ricardo puts forward the following thesis:

> "The *exchangeable value of all commodities*, whether they be manufactured, or the produce of the mines, or the produce of land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who *continue* to produce them under the most unfavourable circumstances; meaning—by the most unfavourable circumstances, *the most unfavourable under which the quantity of produce required, renders it necessary to* carry on the production" (l.c., pp. 60-61).

The last sentence is not entirely correct. The "quantity of produce required" [is] not a fixed magnitude. [It would be correct to say:] A certain quantity of produce required within certain limits of price. If the latter rises above these limits then the "quantity required" falls with the demand.

The thesis set out above can be expressed in general terms as follows: The value of the commodity—which is the product of a particular sphere of production—is determined by the labour which is required in order to produce the *whole amount*, the *total sum* of the commodities appertaining to this sphere of production and not by the particular labour-time that each individual

capitalist or employer within this sphere of production requires. The general conditions of production and the general productivity of labour in this particular sphere of production, for example in cotton manufacture, are the average conditions of production and the average productivity in this sphere, in cotton-manufacture, The quantity of labour by which, for example, [the value of] a yard of cotton is determined is therefore not the quantity of labour it contains, the quantity the manufacturer expended upon it, but the average quantity with which all the cotton-manufacturers produce one yard of cotton for the market. Now the particular conditions under which the individual capitalists produce, for example, in cotton manufacture, necessarily fall into three categories. Some produce under *medium* conditions, i.e., the individual conditions of production under which they produce coincide with the *general* conditions of production in the sphere. The average conditions are their *actual conditions*. The productivity of their labour is at the average level. The *individual* value of their commodities coincides with the *general* value of these commodities. If, for example, they sell the yard of cotton at 2s.—the average value—then they sell it at the *value* which the yards they produce represent *in natura*. Another category produces under *better* than average conditions. The *individual* value of their commodities is *below* their general value. If they sell their commodities at the general value, they sell them *above* their individual value. Finally, a third category produces under conditions of production that are *below* the average.

Now the "quantity of produce required" from this particular sphere of production is not a fixed magnitude. If the rise of the value of the commodities above the average value exceeds certain limits, the "quantity of produce required" falls, that is, this quantity is only required at a given price—or at least within certain

limits of price. Hence it is just as *possible* that the last-mentioned category has to sell *below* the individual value of its commodities as the better placed category always sells its products *above* their individual value, Which of the categories has a decisive effect on the average value, will in particular depend on the numerical ratio or the proportional size of the categories. If numerically the middle category greatly outweighs the others it will determine [the average value]. If this group is numerically weak and that which works *below the average conditions* is numerically strong and predominant, then the latter determines the general value of the produce of this sphere, although this by no means implies and it is even very unlikely, that the individual capitalist who is the most *unfavourably* placed in the last group, is the determining factor. (See *Corbet*.)

But let us leave this aside. The general result is that: the *general* value of the products of this group is *the same* for all, whatever may be its relation to the particular value of each individual commodity. This *common* value is the *market-value* of these commodities, the value at which they appear on the market. Expressed in money, this market-value is the *market-price*, just as in general, value expressed in money is price. The actual market-price is now above, now below this market-value and coincides with it only by chance. Over a certain period, however, the fluctuations equal each other out and it can be said that the average of the actual market-prices is *the market-price* which represents *the market-value*. Whether, at a given moment, the actual market-price corresponds to this market-value in magnitude, i.e., *quantitatively* or not, at any rate it shares the *qualitative* characteristic with it, that all commodities of the same sphere of production available on the market have *the same* price (assuming of course that they are of the same quality), that is, in practice , they represent the *general* value of the commodities of this sphere.

||544| The above thesis put forward by Ricardo for the purpose of his theory of rent has therefore been interpreted by his disciples to mean that *two different market-prices* cannot exist simultaneously on the same market or: products *of the same* kind found on the market simultaneously, have *the same price* or—since we can leave out of account here the accidental features of this price—the *same market-value*.

Thus competition, partly among the capitalists themselves, partly between them and the buyers of the commodity and partly among the latter themselves, brings it about here that the value of each individual commodity in a particular sphere of production is determined by the *total mass of social labour-time* required by the *total mass* of *the commodities of this particular sphere of social production* and not by the *individual values of the separate commodities* or the labour-time the individual commodity has cost its *particular* producer and seller.

It obviously follows from this, however, that, whatever the circumstances, the capitalists belonging to the first group—whose conditions of production are more favourable than the average—make an excess profit, in other words their profit is *above* the general rate of profit of this sphere. Competition, therefore , does bring about the *market-value* or *market-price* by the *equalisation of profits within* a particular sphere of production. (For the purpose of this investigation, the distinction [between market-value and market-price] is irrelevant since the differences in the conditions of production—hence the different rates of profit for the individual capitalist—in *the same sphere*, remain, whatever may be the relationship of market-price to market-value.) On *the contrary*, competition here equalises the *different individual* values to the same, *equal, undifferentiated market-value, by* permitting *differences between individual profits*, profits of individual capitalists, and

their *deviations from the average rate of* profit in the sphere. It even creates differences by establishing *the same market-value* for commodities produced under unequal conditions of production, therefore with unequal productivity of labour, the commodities thus represent individual *unequal quantities of labour-time*. The commodity produced under more favourable conditions, contains less labour-time than that produced under less favourable conditions, but it sells at the same price, and has the same value, as if it contained the same labour-time though this is not the case.

[b) Ricardo Confuses the Process of the Formation of Market-Value and the Formation of Cost-Prices]

For the establishment of his theory of rent, Ricardo needs two propositions which express not only *different* but *contradictory* effects of competition. According to the first, the products of the same sphere sell at *one and the same market-value*, competition therefore enforces different *rates of profit*, i.e., deviations from the general rate of profit. According to the second, the *rate of profit* must be *the same* for each capital investment, that is competition brings about a *general rate of profit*. The first *law* applies to the various independent capitals invested in *the same sphere of production*. The second applies to capitals in so far as they are invested in *different spheres* of production. By the first action, competition creates the *market-value*, that is, *the same value* for commodities of the same sphere of production, although this *identical value* must result in *different profits*, it thus creates *the same* value *despite of, or rather by means of, different rates of profit*. The second action (which, incidentally, is brought about in a different way; namely, the competition

between capitalists of *different* spheres throws the capital from one sphere into another, while the other competition, in so far as it is not competition between buyers, occurs between capitals of *the same* sphere) enables competition to create the *cost-price*, in other words *the same rate of profit* in the various spheres of production, although this *identical rate of profit* is contrary to the inequality of values, and can hence only be enforced by *prices which are different* from values.

Since Ricardo needs both these propositions—equal *value* or *price with unequal rate of profit*, and equal *rate of profit* with *unequal values,—for* his theory of rent, it is most remarkable that he does not sense this twofold determination and that even in the Section where he deals *ex professo* with *market-price*, in *Chapter IV "On Natural Price and Market-Price"*, he does not deal with *market-price* or *market-value* at all, although in the above-quoted passage he uses it as a basis to explain *differential rent*, the excess profit crystallised in the form of rent. ||545| But he deals here merely with the reduction of the *prices* in the *different spheres of production* to *cost-prices* or *average prices*, i.e., with the relationship between the market-values of the different spheres of production and not with the establishment of the market-value in each particular sphere, and unless this is established market-values do not exist at all.

The *market-values* of each particular sphere, therefore the *market-prices* of each particular sphere (if the market-price corresponds to the "*natural price*", in other words if it merely represents the value in the form of money) would yield very different rates of profit, for of equal size in *different* "spheres—quite apart from the differences arising from their different processes of circulation—employ very unequal proportions of constant and variable capita and therefore yield very unequal surplus—values, hence very unequal profits. The levelling out of the various market-values, so that *the*

same rate of profit is produced in the different spheres of production, and capitals of equal size yield equal average profits, is therefore only possible by the transformation of *market-values* into *cost-prices* which are different from the actual values.*

What competition within *the same* sphere of production brings about, is the determination of the *value of the commodity in a given sphere* by the average labour-time required in it, i.e., the creation of the *market-value*. What competition between the *different* spheres of production brings about is the *creation of the same general rate of profit* in the *different* spheres through the levelling out of the different market-values into market prices, which are *cost-prices* that are different from the actual market-values. Competition in this second instance by no means tends to assimilate the prices of the commodities to their values, but on the contrary, to reduce their values to cost-prices that differ from these values, to abolish the differences between their values and cost-prices.

It is only this latter process which Ricardo considers in Chapter IV and, oddly enough, he regards it as the reduction of the prices of commodities—through competition—to their values, the reduction of the market-price (a price which is different from value) to the natural price (the value expressed in terms of money). This blunder, however, arises from the error he committed already in Chapter I "*On Value*", where he identified cost-price and value, this in turn was due to the fact that at a point where as yet he was only concerned with explaining "value", where he, therefore, as yet, only had to deal with "*commodity*", he plunged in with the *general rate of profit* and all the conditions arising from the more developed capitalist relations of production.

Ricardo's whole procedure in Chapter IV is therefore quite superficial. He starts out from the "...accidental and

temporary variations of [the] price" (l.c., p. 80) of commodities resulting from the fluctuating relations between demand and supply.

> "With the rise or fall of price, *profits* are elevated above, or depressed below *their general level*, and capital is either encouraged to enter into, or is warned to depart from *the particular employment* in which the variation has taken place" (l.c., p. 80).

Here the *general level of profit* prevailing between the particular spheres of production, between "the particular employments" is already presupposed. But he should have considered first, how the *general level of price* in the same employment and the *general level of profit* between different employments is brought about. Ricardo would then have seen that the latter operation already presupposes movements of capital in all directions—or a *distribution*, determined by competition, *of the whole social capital between its different spheres of employment*. Once it is assumed that the market-values or average market-prices in the different spheres are reduced to *cost-prices* yielding the same average rate of profit (this is however only the case in spheres where landed property does not interfere; where it interferes, competition—within the same sphere—can convert the price to the value and the value to the market-price, but it cannot reduce the market-price to the cost-price), persistent deviations of the market-price from the cost-price, when it rises above or falls below it in particular spheres, will bring about new migrations and a new distribution of social capital. The first migration occurs in order to establish *cost-prices* which differ from *values*. The second migration occurs in order to equalise the *actual market-prices* with the cost-prices—as soon as they rise above or fall below the latter. The first is a transformation of the values into cost-prices. The second is a rotation of the actual ||546| market-prices of the moment in the various spheres, around the cost-price,

which now appears as the *natural price*, although it is different from the value and only the result of social action.

It is this latter, more superficial movement which Ricardo examines and at times unconsciously confuses with the other. Both are of course brought about by "the same principle", namely, the principle that while

> "every man" [is] "free to employ his capital where he pleases," [he] "will naturally seek for it that employment which is most advantageous; he will naturally be dissatisfied with a profit of 10 per cent, if by removing his capital he can obtain a profit of 15 per cent. This *restless desire on the part of all the employers of stock, to quit a less profitable for a more advantageous business, has a strong tendency to equalise the rate of profits of all*, or to fix them *in such proportions*, as may, in the estimation of the parties, compensate for any advantage which one may have, or may appear to have over the other" (l.c., p. 81).

This tendency has the effect of distributing the total mass of social labour-time *among the various spheres of production* according to the social need. In this way, the values in the different spheres of production are transformed into cost-prices, and on the other hand, the variations of the actual prices in particular spheres from the cost-prices are levelled out.

All this is contained in Adam Smith's work. Ricardo himself says:

> "No writer has more satisfactorily and ably shewn than Dr. Smith, the tendency of capital to move from employments in which the goods produced do not repay by *their price the whole expenses, including the ordinary profits*," (that is to say, the cost-price) "of producing and bringing them to market" (l.c., p. 342, note).

The achievement of Ricardo, whose blunder is on the whole caused by his *lack of criticism* of Adam Smith in this respect, consists in his more precise exposition of this migration of capital from one sphere to the other, or rather of the manner in which this occurs. He was, however, only able to do this because the credit system was more highly developed in his time than in the time of Adam Smith, Ricardo says:

> "It is perhaps very difficult to trace *the steps* by which this change is *effected:* it is probably effected, by a manufacturer *not absolutely changing his employment, but only lessening the quantity of capital he has in that employment*. In all rich countries, there is a number of men forming what is called the *monied class*[*]; these men are engaged in *no trade*, but live on the interest of their money, which is employed in discounting bills, or in loans to the more *industrious* part of the community. The bankers too employ a large capital on the same objects. The capital so employed forms a circulating capital of a large amount, and is employed, in larger or smaller proportions, by all the different trades of a country. There is perhaps no manufacturer, however rich, who limits his business to the extent that his own funds alone will allow: he has always some portion of this floating capital, increasing or diminishing according to the activity of the demand for his commodities. When the demand for silks increases, and that for cloth diminishes, the clothier does not remove with his capital to the silk trade, but he dismisses some of his workmen, he discontinues his demand for the loan from bankers and monied men; while the case of the silk manufacturer is the reverse: [...] he *borrows more*, and *thus capital is transferred from one employment to another, without the necessity of a manufacturer discontinuing his usual occupation*. When we look to the markets of a large town, and observe how regularly they are supplied both with home and foreign commodities, in the quantity in which they are required, under all the

> circumstances of varying demand, arising from the caprice of taste, or a change in the amount of population, without often producing either the effects of a glut from a too abundant supply, or an enormously high price from the supply being unequal to the demand, we must confess that *the principle which apportions capital to each trade* in the precise amount that it is required, is more active than is generally supposed" (l.c., pp. 81-82).

Credit therefore is the means by which the capital of the whole capitalist class is placed at the disposal of each sphere of production, not in proportion to the capital belonging to the capitalists in a given sphere but in proportion to their production requirements—whereas in competition the individual capitals appear to be independent of each other. Credit is both the result and the condition of capitalist production and this provides us with a convenient transition from the *competition between capitals* to *capital as credit*.

[c) Ricardo's Two Different Definitions of "Natural Price". Changes in Cost-Price Caused by Changes in the Productivity of Labour]

At the beginning of Chapter IV, Ricardo says that by *natural price* he understands the *value* of the commodities, that is, the *price* as determined by their relative labour-time, and that by *market-price* he understands the accidental and temporary deviations from this natural price or value ||547|. Throughout the further course of the chapter—and he is quite explicit in

this— he understands something quite different by *natural price*, namely, *cost-price* which is different from value. Thus, instead of showing how competition transforms values into cost-prices, i.e., creates permanent deviations from values, he shows, following Adam Smith, how competition reduces the market-prices in different trades to cost-prices.

Thus Chapter IV opens like this:

> "In making *labour* the *foundation* of the value of commodities, and the *comparative quantity of labour* which is necessary to their production, the rule which determines the respective quantities of goods which shall be given in exchange for each other, we must not be supposed to deny the *accidental and temporary deviations of the actual* or *market price* of commodities from this, *their primary and natural price*" (l.c., p. 80).

Here therefore *natural price* equals *value* and market-price is nothing but the deviation of actual price from value.

As against this:

> "Let us suppose that all commodities are at their *natural price*, and *consequently* that the *profits of capital* in *all employments* are exactly at the *same rate*, or differ only so much as, in the estimation of the parties, is equivalent to any real or fancied advantage which they possess or forego" (l.c., p. 83).

Here therefore, *natural price* equals *cost-price*, that is, the price at which the relation between the profit and the advances embodied in the commodity is the same, although equal *values* of commodities produced by capitals in different spheres of production, contain very *unequal* surplus-values, and thus *unequal profits*. If the price is to yield the same profit, it must therefore be different from the value of the commodity. On the other

hand, capitals of equal size produce *commodities of very unequal value*, according to whether a larger or a smaller portion of the fixed capital enters into the commodity. But more about this when dealing with the circulation of capitals.

By equalisation through competition, Ricardo therefore understands only the rotation of the actual prices or actual market-prices around the *cost-prices* or the *natural price* as distinct from the *value*, the levelling out of the market-price in different branches of production to general cost-prices, i.e., precisely to prices which are different from the real values in different trades.:

> "It is then the desire, which every capitalist has, of diverting his funds from a less to a more profitable employment, that prevents the *market-price* of commodities from continuing for any length of time either much above, or much below their *natural price*, It is this competition which so adjusts the *changeable value of* commodities," <and also the *different real* values> "that after paying the wages for the labour necessary to their production, and all other expenses required to put the capital employed in its original state of efficiency, the *remaining value or overplus* will in *each trade* be in proportion to the *value* of *the capital* employed" (l.c., p. 84).

This is exactly the case. Competition adjusts the prices in the different trades so that "*the remaining value or overplus*", the profit, corresponds to the *value of the capital employed*, but not to the real value of the commodity, not to the real overplus which it contains after the deduction of expenses. To bring this adjustment about the price of one commodity must be raised above, and that of the other must be depressed below their respective real values, It is not the value of the commodities but their cost-price, i.e., the expenses they

contain plus the general rate of profit, around which competition forces the market-prices in the different trades to rotate.

Ricardo continues:

> "In the 7th Chap. of the *Wealth of Nations*, all that concerns this question is most ably treated" (l.c., p. 84).

In fact it is his uncritical belief in the Smithian tradition, which here leads Ricardo astray.

As usual, Ricardo closes the chapter by saying that in the following investigations, he wants to "...leave [...] entirely out of [...] consideration" (l.c., p. 85) the accidental deviations of market-prices from the cost-price; but he overlooks the fact that he has paid no regard at all to the *constant* deviations of market-prices, in so far as they correspond to cost-prices, from the real values of the commodities and that he has substituted cost-price for value.

Chapter XXX "On the Influence of Demand and Supply on Prices". Here Ricardo defends the proposition that the permanent price is determined by the *cost-price*, and not by *supply or demand:* that, therefore, the permanent price is determined by the *value* of the commodities only in so far as this value determines the cost-price. Provided that the prices of the commodities are so adjusted that they all yield a profit of 10 per cent, then every lasting change in these prices will be determined by a change in their values, in the labour-time required for their production. As this value continues to determine the general rate of profit, so the changes in it continue to determine the variations in cost-prices, although of course *the difference between cost-prices and values is thereby not superseded.* What is superseded is only that the difference between value and actual price should not ||548| be greater *than the difference between cost-*

prices and values, a difference that is brought about by the general rate of profit. With the changes in the values of commodities, their cost-prices also change. A "*new natural price*" (p. 460) is formed. If, for example, the worker can now produce twenty hats in the same period of time which it previously took him to produce ten hats, and if wages accounted for half the cost of the hat, then the expenses, the costs of production, of the twenty hats, in so far as they consist of wages, have fallen by half. For the same wages are now paid for the production of twenty hats as previously for ten. Thus each hat now contains only half the expenditure for wages. If the hat manufacturer were to sell the hats at the same price he would sell them above the cost-price. If the profit had previously been 10 per cent then it would now be $46\,{}^{2}/_{3}$ per cent, assuming the outlay for the manufacture of a certain quantity of hats was originally 50 for raw material, etc. and 50 for labour. [The outlay] would now be 50 for raw material etc. and 25 for wages. If the commodity is sold at the old price then the profit is ${}^{35}/_{75}$ or $46\,{}^{2}/_{3}$ per cent. As a result of the fall in value, the new natural price will therefore fall to such an extent that the price only yields 10 per cent profit. The fall in the value or in the labour-time necessary for the production of the commodity reveals itself in the fact that less labour-time is used for *the same amount* of commodity, hence also less *paid labour-time*, less *wages* and, consequently, the costs, the wages paid (i.e., the *amount* of wages; this does not presuppose a fall *in the rate* of *wages*) proportionately decline for the production of *each individual* commodity.

This is the case if the change in value has taken place in the hat making itself. Had it occurred in the production of the raw material or of the tools, then this would have been similarly expressed as a diminution of outlay in wages for the production of a certain given quantity of product in these spheres; but to the hat manufacturer it

would denote that his constant capital had cost him less. The *cost-prices* or "*natural prices*" (which have nothing to do with "nature") can fall in two ways as a result of a change—here a fall—in *the value* of the commodities:

[*Firstly*] because the wages laid out in the production of a given quantity of commodities fall, owing to a fall in the aggregate absolute amount of labour, paid labour and unpaid labour, expended on this quantity of commodities.

Secondly: If, as a result of the increased or diminished productivity of labour (both can occur, the one when the proportion of variable capital to constant capital falls, the other when wages rise owing to the means of subsistence becoming dearer), the ratio of surplus-value to the value of the commodity or to the value of the labour contained in it, changes, then the rate of profit rises or falls, and the amount of labour is differently divided up.

In the latter case, the prices of production or cost-prices could change only in so far as they are affected by variations in the value of labour. In the first case, the value of labour remains the same. In the second case, however, it is not the *values* of the commodities which alter, but only the division between [necessary] labour and surplus-labour. A change in the productivity and therefore in the value of the *individual* commodity would nevertheless take place in this case. The same capital will produce more commodities than previously in the one case and less in the other. The aggregate volume of the commodities in which it is materialised would have *the same value*, but the *individual commodity* would have a different value. Although the value of the wage does not determine the value of the commodities, the value of the commodities (which enter into the consumption of the worker) determines the value of the wage.

Once the cost-prices of the commodities in the various branches of production are established, they rise or fall relatively to each other with any change in the values of the commodities. If the productivity of labour rises, the labour-time required for the production of a *particular commodity* decreases and therefore its *value falls;* whether this change in productivity occurs in the labour used in the final process or in the constant capital, the cost-price of this commodity must also fall correspondingly. The *absolute amount of labour employed on it* has been reduced, hence also the amount of paid labour it contains and the amount of wages expended on it, even though the rate of wages has remained the same. If the commodity were sold at its former cost-price, then it would yield a higher profit than the general rate of profit, since formerly, this profit was equal to 10 per cent on the higher outlay. It would therefore be now more than 10 per cent on the diminished outlay. If on the contrary the productivity of labour decreases, the real values of the commodities rise. When the rate of profit is given—or, which is the same thing, the cost-prices are given—the relative rise or fall of the cost-prices is dependent on the rise or fall, the variation, in the real values of the commodities, As a result of this variation, new cost-prices or, as Ricardo says, following Smith, "new natural prices" take the place of the old.

In Chapter XXX, from which we have just been quoting, Ricardo expressly identifies natural price, that is, cost-price, with natural value, i.e., value as determined by labour-time.

> "Their price" (of monopolised commodities) "has no necessary connexion with their *natural value:* but the *prices* of commodities, which are subject to competition, ...will ultimately depend ...on [the] ...*cost of their production*" (l.c., p. 465).

Here therefore are cost-prices or natural prices directly ||549| identified with "*natural value*", that is, with "*value*".

This confusion explains how later a whole lot of fellows post Ricardum, like Say himself, could accept "the cost of production" as the ultimate regulator of prices, without having the slightest inkling of the determination of value by labour-time, indeed they directly deny the latter while maintaining the former.

This whole blunder of Ricardo's and the consequent erroneous exposition of rent etc., as well as the erroneous laws about the *rate of profit* etc. spring from his failure to distinguish between *surplus-value* and *profit;* and in general his *treatment of definitions* is crude and uncomprehending, just as that of the other economists. The following will show how he allowed himself to be ensnared by Smith. |549||

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||XII-636| Just to add a further comment to what has already been said: Ricardo knows no other difference between *value* and *natural price* than that the latter is the monetary expression of value, and that it can therefore change because of a change in value of the precious metals, without value itself changing. This change, however, only affects the evaluation or the expression of value in money. Thus, he says, for instance:

> "It" (foreign trade) "can only he regulated by altering the *natural price*, not the *natural value*, at which commodities can he produced in those countries, and that is effected by altering the distribution of the precious metals" (l.c., p. 409). |XII-636|| .

[B. Adam Smith's Theory of Cost-price]

[1. Smith's False Assumptions in the Theory of Cost-Prices. Ricardo's Inconsistency Owing to His Retention of the Smithian Identification of Value and Cost-Price]

||XI-549| It must first be noted that according to Adam Smith as well,

> "there are always a few commodities of which the price resolves itself into *two* parts only, the wages of labour, and the profits of stock". ([*The Wealth of Nations*, Oxford University Press, London, 1928, Vol. I, p. 56; Garnier,] t. 1, l. 1, ch. VI, p. 103.[e])

This difference between Ricardo's and Smith's views can therefore be ignored here.

Adam Smith first explains that exchange-value resolves itself into a certain quantity of labour and that after deducting raw materials etc., the value contained in exchange-value is resolved into that part of labour for which the labourer is paid and that part for which he is not paid, the latter part consists of profit and rent (the profit in turn may be resolved into profit and

interest). Having shown this, he suddenly turns about and instead of resolving exchange-value into wages, profit and rent, he declares these to be the elements forming exchange-value, he makes them into independent exchange-values that form the exchange-value of the product; he constructs the exchange-value of the commodity from the values of wages, profit and rent, which are determined independently and separately. Instead of having their source in value, they become the source of value.

> "*Wages, profit*, and *rent*, are *the three original sources* of all revenue as well as of *all exchangeable value*" ([O.U.P., Vol. I, p. 57; Garnier,] t, 1, l. 1, ch. VI, p. 105).

Having revealed the intrinsic connection, he is suddenly obsessed again with the aspect of the phenomenon, with the *connection, as it appears in competition*, and in competition everything always appears in inverted[f] form, always standing on its head.

Now it is from this latter inverted starting-point that Smith develops the distinction between the "*natural price* of the commodities" and their "*market-price*". Ricardo accepts this from him, but forgets that Adam Smith's "natural price" is, according to Smith's premises, nothing other than the *cost-price* resulting from competition and that for Smith himself, this cost-price is only identical with the "*value*" of the commodity, in so far as he forgets his more profound conception and sticks to the false concept derived from the external *appearance*, namely that the exchange-value of commodities is formed by putting together the independently determined values of wages, profit and rent. While Ricardo contests this concept throughout, he accepts Smith's confusion or identification of *exchange-value* with *cost-price* or *natural price*, which is based on *that very* concept. In the case of Adam Smith this confusion is legitimate, because his whole examination

of *natural price starts out* from his second, false conception of *value*. But in Ricardo's case, it is wholly unjustifiable, because he nowhere accepts this wrong conception of Adam Smith's, but contests it *ex professo* as an inconsistency. Adam Smith, however, succeeded in ensnaring him again with his *natural price* .

Having *compounded* the value of the commodity from the separate and independently determined *values of wages, profit* and *rent*, Adam Smith now asks himself how these primary va1ues are determined. And here he starts out from the phenomena as they appear in competition.

[*In] Chapter VII, Book I "Of the Natural and Market Price of Commodities*" [he says:]

> "There is in every society or neighbourhood an *ordinary* or *average rate* of ... wages and profit ... and rent... These ordinary or average rates may be called the *natural rates* of wages, profit, and rent, at the time and place in which they commonly prevail" ([OUP., Vol. I, p. 60; Garnier,] l.c., t. I, pp. 110-11). "When the *price* of any commodity is neither more nor less than what is sufficient to pay the rent [...] the wages [...] and the profits [...] according to their *natural* rates, the commodity is then sold for [...] its *natural price*" ([O.U.P., Vol. I, p. 61; Garnier,] l.c., p. 111).

This natural price is then the *cost-price* of the commodity and the cost-price coincides with the *value* of the commodity, since it is presupposed that the value of the commodity is compounded of the values of wages, profit and rent.

> "The commodity is then ||550| *sold precisely for what it is worth*" (the commodity is sold at its *value*) "or *for* what *it* really *costs* the person who brings it to market" (at its *v a l u e* or at the *c o s t-p r i c e* for the person who brings it to

> market) "for though, in common language, what is called the *prime cost* of any commodity does *not comprehend the profit* of the person who is to sell it again, yet, if he sells it at a *price* which *does not allow him* the *ordinary rate of profit* in his neighbourhood, he is evidently a loser by the trade; since *by employing his stock in some other way*, he might have made *that profit*" ([O.U.P., Vol. I, p. 61; Garnier,] l.c., p. 111).

Here we have the whole genesis of natural price and, besides, set out in quite appropriate language and logic, since the value of the commodity is composed of the prices of wages, profit and rent, while the true value of the latter is, in turn, constituted by their *natural rates;* thus it is clear that the value of the *commodity* is identical with its *cost-price* and the latter with the *natural price* of the commodity. The rate of profit, as of wages, is *presupposed*. They are indeed given for the *formation* of the cost-price. They are *antecedent* to the cost-price. To the individual capitalist therefore they also appear as given. The hows, whys and wherefores do not concern him. Adam Smith here adopts the standpoint of the individual capitalist, the agent of capitalist production, who fixes the cost-price of his commodity. So much for wages etc., so much for the general rate of profit. *Ergo:* This is how this capitalist *sees* the operation by which the *cost-price* of the commodity is fixed or, as it further seems to him, the *value* of the commodity, for he also knows that the market-price is now above, now below, this cost-price, which therefore appears to him as the ideal price of the commodity, its absolute price as distinct from its price fluctuations, in short as its *value*, in so far as he has any time at all to reflect on matters of this sort. And since Smith transports himself right into the midst of competition, he immediately reasons and argues with the peculiar logic of the capitalist caught up in this sphere. He interjects: In common language, *costs* do not include the *profit* made by the seller (which necessarily

forms a surplus above his expenses). Why then do you include profit in the cost-price? Adam Smith answers like the profound capitalist to whom this question is put:

Profit in general must enter into cost-price, because I would be cheated if *only* a profit of 9 instead of 10 per cent were to enter into cost-price.

The naïve way in which Adam Smith on the one hand expresses the thoughts of the agent of capitalist production and presents things boldly and comprehensively, as they appear to and are thought of by the latter, as they influence him in practice, and as, indeed, they appear on the surface, while, on the other hand, he sporadically reveals their more profound relationships, gives his book its great charm.

One can see here too why Adam Smith—despite his considerable scruples on this point—resolves the entire value of the commodity into rent, profit and wages and omits constant capital, although of course he admits its existence for each "individual" capitalist. For otherwise he would have to say: The value of a commodity consists of wages, profit, rent and that part of the value of the commodity which does not consist of wages, profit, rent. It would therefore be necessary to determine value independently of wages, profit and rent.

If, besides the outlay on average wages etc., the price of the commodity also covers the average profit and—if rent enters into the commodity—the average rent, then the commodity is sold at its *natural* or *cost-price*, and this cost-price is equal to its *value*, for its value is nothing but the sum of the natural values of wages, profit and rent.

||551| Having taken his stand in competition and *assumed* the rate of profit etc. as *given*, Adam Smith for the rest interprets correctly *natural price* or *cost-*

price, namely, the cost-price as distinct from the market-price.

> "... the *natural price* of the commodity, *o r* the whole *value* of the rent, labour, and profit, which must he paid in order to bring it" to market ([O.U.P., Vol. I, pp. 61-62; Garnier,] l.c., p. 112).

This cost-price of the commodity is different from the *actual price* or *market-price* of the commodity. ([O.U.P., Vol. I, p. 62; Garnier,] l.c., p. 112.) The latter is dependent on demand and supply.

The [sum of the] *costs of production* or the *cost-price* of the commodity is precisely "the *whole value* of the rent, labour, and profit, *which must be paid in order to bring it" to market* ([O.U.P., Vol. I, p. 62; Garnier,] p. 113). If demand corresponds to supply, then the market-price is equal to the natural price.

> "When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the *market-price* naturally comes to he exactly ... the same with the *natural price*" ([O.U.P., Vol. I, p. 63; Garnier,] l.c., p. 114). "The *natural* price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it" ([O.U.P., Vol. I, p. 64; Garnier,] l.c., p. 116).

Hence Adam Smith concludes that in general, the

> "whole quantity of industry annually employed in order to bring any commodity to market" will correspond to the needs of society or the "effectual demand" ([O.U.P., Vol. I, p. 64; Garnier,] l.c., p. 117).

What Ricardo conceives as the distribution of total capital among the various branches of production

appears here in the as yet more naive form of the [quantity of] industry needed in order to produce "a *particular* commodity". The levelling out of prices among the sellers of *the same* commodity to the *market-price* and the *levelling out of the market-prices* of the *various* commodities to the cost-price are here as yet jumbled up in complete confusion.

At this point Smith, only quite incidentally, touches upon the influence of the variation in the real values of commodities on the natural prices or cost-prices.

Namely in agriculture

> "the same quantity of industry will, in different years, produce very different quantities of commodities; while, in others, it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, etc. But the same number of spinners and weavers will every year produce the same, or very nearly the same, quantity of linen and woollen cloth... In the other" (the non-agricultural) "species of industry, the *produce of equal quantities of labour being always the same*, or very nearly the same", (i.e., so long as the conditions of production remain *the same*) "it can be more exactly suited to the effectual demand" ([O.U.P., Vol. I, pp. 64-65; Garnier,] l.c., pp. 117-18).

Adam Smith sees here that a mere change in the productivity of "equal quantities of labour", therefore, in the actual values of commodities, alters cost-prices. But he makes this again more shallow by reducing it to the relation between supply and demand. According to his own arguments, the proposition as he presents it, is wrong. For, while in agriculture, as a result of varying seasons etc., "equal quantities of labour" yield different quantities of products, he himself has demonstrated that as a result of machinery, division of labour etc. "equal

quantities of labour" yield very different amounts of product in manufacture etc. It is therefore not *this* difference which distinguishes agriculture from the other branches of industry; but the fact that in industry the degree of productive power applied is determined beforehand, while in the former, it depends on accidents of nature. But the result remains the same: the *value of the commodities* or the quantity of labour which, depending on its productivity, has to be expended on a given commodity, affects cost-prices.

In the following passage Adam Smith has also [shown] how the migration of capitals from one sphere of production to another establishes cost-prices in the various branches of production. But he is not so clear on this as Ricardo, For if the ||552| price of the commodity falls *below* its *natural price* then, according to his argument, this is due to one of the elements of this price falling *below* the natural rate. Thus it is not due to the withdrawal of *capitals alone* or to the migration of capitals, but to the migration of labour, capital or land from one branch to another, In this respect his view is more consistent than Ricardo's, but it is wrong.

> "Whatever part of it" (the natural price) "was paid below the *natural* rate, the persons whose interest it affected would immediately feel the loss, and would immediately *withdraw either so much land, or so much labour, or so much stock, from being employed about it*, that the quantity brought to market would soon he no more than sufficient to supply the effectual demand. Its *market-price*, therefore, would soon rise to the *natural price*. This at least would be the case where there was perfect liberty" ([O.U.P., Vol. I, p. 69; Garnier,] l.c., p. 125).

This represents an essential difference between Smith's and Ricardo's conceptions of the levelling out to the *natural price*. Smith's [conception] is based on his false assumption, that the three elements independently

determine the value of the commodity, while Ricardo's is based on the correct assumption that it is the *average rate of profit* (at a given level of wages), which alone determines the cost-prices.

[2. Adam Smith's Theory of the "Natural Rate" of Wages, Profit and Rent]

> "The *natural price* itself varies with the *natural rate of* each of its component parts, of wages, profit, and rent" ([O.U.P., Vol. I, p. 70; Garnier,] l.c., p. 127).

In chapters VIII, IX, X and XI of Book I, Adam Smith then seeks to determine the natural rate of these "component parts", wages, rent and profit, and the fluctuations in these rates.

Chapter VIII: "Of the Wages of Labour"

At the start of the chapter on wages, Smith—forsaking the illusory standpoint of competition—in the first place shows the true nature of surplus-value and [regards] profit and rent as mere forms of surplus-value.

The basis from which he determines the natural rate of wages is the value of labour-power itself, the *necessary wage*.

> "A man must always live by his work, and his wages must at least be sufficient to maintain him, They must even upon most occasions he somewhat more, otherwise it would he impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation" ([O.U.P., Vol. I, p. 75; Garnier,] l.c., p. 136).

This, however, becomes meaningless again because he never asks himself how the value of the necessary means of subsistence, i.e., of the *commodity* in general is determined. And here, since he has moved away from his main conception, Adam Smith would have to say: The price of wages is determined by the price of the means of subsistence and the price of the means of subsistence is determined by the price of wages. Having once assumed that the *value* of wages is fixed, he gives an exact description of its fluctuations, as they appear in competition, and the circumstances that cause these fluctuations. This belongs to the exoteric part [of his work] and does not concern us here.

<In particular [he deals with] the *accumulation* of capital, but he does not tell us what determines it, since this accumulation can only be rapid either if the rate of wages is relatively low and the productivity of labour high (in this case a rise in wages is always the result of a permanently low level of wages during the preceding period) or if the rate of accumulation is low but the productivity of labour is high. From his standpoint, he would have to deduce the rate of wages in the first case from the rate of profit (i.e., from the rate of wages), and in the second case from the gross amount of profit, but this would in turn necessitate his investigating the *value* of the commodity.)

He tries to derive the value of the commodity from the value of labour which is one of its constituent parts. And on the other hand he explains the level of wages by saying that

> "the wages of labour do not..., fluctuate with the price of provisions" ([O.U.P., Vol. 1, p. 82; Garnier,] l.c., p. 149) and that "the wages of labour vary more from place to place than the price of provisions" ([O.U.P., Vol. I, p. 82; Garnier,] l.c., p. 150).

In fact the chapter contains nothing relevant to the question except the definition of the *minimum wage*, alias the value of labour-power. Here Adam Smith instinctively resumes the thread of his more profound argument, only to lose it again, so that even the above-cited definition [signifies] nothing. For how [does he propose to] determine the *value* of the necessary means of subsistence—and therefore of commodities in general? Partly by the natural price of labour. And how is this to be determined? By the value of necessaries, or commodities in general. A vicious circle. As to the rest, the chapter contains not a word on the issue, the *natural price* of labour, ||553| but only investigations into the rise of wages above the level of the natural rate, demonstrating that the rise of wages is proportionate to the rapidity with which capital accumulates, that is, to the progressive accumulation of capital. Then he examines the various conditions of society in which this takes place, and finally he gives a slap in the face to the determination of the value of the commodity by wages and of wages by the value of the necessary means of subsistence, by showing that this does not appear to be the case in England. In between comes a piece of Malthusian population theory—because wages are determined by the means of subsistence necessary, not only to maintain the life of the worker, but [should be sufficient] for the reproduction of the population.

Namely after attempting to prove that wages *rose* during the eighteenth century, especially in England, Adam Smith raises the question whether this is to be regarded "as an advantage, or as an inconveniency, to the society" ([O.U.P., Vol. I, p. 87; Garnier,] l.c., p. 159). In this connection he returns temporarily to his more profound approach, according to which profit and rent are merely parts *of the product* of the worker. The workmen, he says:

> "make up the far greater part of every great political society. But what improves the circumstances of the greater part, can never he regarded as any inconveniency to the whole. No society can surely he flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the *whole body of the people*, should have *such a share of the produce of their own labour* as to be themselves tolerably well fed, clothed, and lodged" ([O.U.P., Vol. I, p. 87; Garnier,] l.c., pp. 159-60).

In this connection he touches upon the theory of population:

> "Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation, ... Barrenness, so frequent among women of fashion, is very rare among those of inferior station... But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced; but in so cold a soil, and so severe a climate, soon withers and dies... Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilised society, it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species... *The demand for men*, like that for any other commodity, *necessarily regulates the production of men*, quickens it when it goes on too slowly, and stops it when it advances too fast" ([O.U.P., Vol. I, pp. 87-89; Garnier,] l.c., pp. 160-63 passim).

The connection between the wages minimum and the varying conditions of society is as follows:

> "The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, *to continue the race of*

> *journeymen and servants*, according as the increasing, diminishing, or stationary demand of the society, may happen to require" ([O.U.P., Vol. I, pp. 89-90; Garnier,] l.c., p. 164). (Of the society! That is to say—of capital.)

He then shows that the slave is "dearer" than the free labourer, because the latter himself *looks after his "wear and tear" whereas that of the former* is [controlled] "by a negligent master or careless overseer" ([O.U.P., Vol. I, p. 90; Garnier,] l.c., p. 164). The "fund" for replacing the "wear and tear" is frugally used by the free labourer whereas for the slave it is wastefully and disorderly administered.

> "The fund destined for replacing or repairing, if I may say so, the *wear and tear* of the slave, is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the freeman is managed by the freeman himself. The disorders which generally prevail in the economy of the rich, naturally introduce themselves into the management of the former; the strict frugality and parsimonious attention of the poor as naturally establish themselves in that of the latter" ([O.U.P., Vol. I, p. 90; Garnier,] l.c., p. 164).

It is characteristic in the determination of the minimum wage or the natural price of labour, that it is lower for the free wage-labourer than for the slave. This occurs also to Adam Smith:

> "The work done by freemen comes cheaper in the end than that performed by slaves... The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it, is ||554| to lament over the necessary cause and effect of the greatest public prosperity" ([O.U.P., Vol. I, p. 90; Garnier,] l.c., p. 165).

Adam Smith continues to plead for a high wage.

It not only “encourages the propagation”, but also “increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition... animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious than where they are low” ([O.U.P., Vol. I, pp. 90-91; Garnier,] l.c., p. 166).

But high wages spur the workmen on to over-exertion and to premature destruction of their labour-power.

> “Workmen... when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years” ([O.U.P., Vol. I, p. 91; Garnier,] l.c., pp. 166-67). “If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of many of their workmen” ([O.U.P., Vol. I, p. 92; Garnier,] l.c., p. 168).

He goes on to argue against the view that “a little more plenty than ordinary may render some workmen idle” ([O.U.P., Vol. I, p. 92; Garnier,] l.c., p. 169).

Then he examines whether it is true that the workmen are more idle in years of plenty than in years of scarcity and what is the general relation between wages and the price of the means of subsistence. Here again comes the inconsistency.

> “*The money price of labour* is necessarily regulated by two circumstances, the demand for labour, and *the price* of the necessaries and conveniencies of life... The money price of labour is determined by what is requisite for purchasing this quantity” (of the necessaries

> and conveniencies of life) ([O.U.P., Vol. I, pp. 95-96; Garnier,] l.c., p. 175).

[He then examines] why—because of the demand for labour— wages can rise in years of plenty and fall in years of scarcity. ([O.U.P., Vol. I, p. 96 et seq.; Garnier,] l.c., p. 176 et seq.)

The causes [of the rise and fall] in good and had years counterbalance one another.

> "The scarcity of a dear year, by diminishing the demand for labour, tends to lower its price, as the high price of provisions tends to raise it. The plenty of a cheap year, on the contrary, by increasing the demand, tends to raise the price of labour, as the cheapness of provisions tends to lower it. In the ordinary variations of the prices of provisions, those two opposite causes seem to counterbalance one another, which is probably, in part, the reason why the wages of labour are everywhere so much more steady and permanent than the price of provisions" ([O.U.P., Vol. I, p. 96; Garnier,] l.c., p. 177).

As against the concept of wages as the source of the value of commodities, he finally, after all this zigzagging, again advances his original, more profound view, that the value of commodities is determined by the quantity of labour; and if in good years, or with the growth of capital, the worker receives *more* commodities, then he also produces far more commodities, that is to say the individual commodity contains a smaller quantity of labour. He can therefore receive a greater quantity of commodities of less value and thus—this is the implied conclusion— profit can grow, despite rising absolute wages.

> "The increase in the wages of labour necessarily increases the price of many commodities, *by increasing that part of it which resolves itself into wages*, and so far tends to diminish their consumption, both at

> home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work." [This is due to] the division of labour, the use of machinery, inventions, etc.…There are many commodities, therefore, which, in consequence of these improvements, come to be produced *by so much less labour than before*, that *the increase of its price* is more than *compensated* by the *diminution of its quan*tity" ([O.U.P., Vol. I, p. 97; Garnier,] l.c., pp. 177-78).

The labour is better paid, but less labour is contained in the individual commodity, hence a smaller amount has to be paid out. He thus allows his false theory, according to which the value of the commodity is determined by the wage as a constituent element of the value, to be annulled, or rather paralysed, counterbalanced by his correct theory, according to which the value [of the commodity] is determined by the quantity of labour it contains.

||555| *Chapter IX: "Of the Profits of Stock".*

Here accordingly the natural rate of the second element that determines and constitutes the natural price *or* value of the commodities is to be ascertained. What Adam Smith says about the cause of the *fall in the rate of profit* ([Garnier,] l.c., pp. 179, 189, 190, 193, 196, 197, etc.) shall be considered at a later stage.

Adam Smith is confronted here by considerable difficulties. He says that even the determination of average wages amounts merely to ascertaining "the most usual wages" ([O.U.P., Vol. I, p.98; Garnier], l.c., p. 179), the actual given rate of wages.

> "But *even this can seldom be done with regard to the profits* of stock" ([O.U.P., Vol. I, p. 98; Garnier,] l.c., p. 179). Apart from the good or bad fortune of the entrepreneur, this

> profit "is affected by every variation of price in the commodities" ([O.U.P., Vol. I, p. 98; Garnier,] l.c., p. 180)

although it is precisely through the natural rate of profit, as one of the component elements of "value", that we are supposed to determine the natural price of these commodities. This [the determination of the natural rate of profit] is already difficult for a single capitalist in a single trade.

> "To ascertain what is the average profit of all the different trades carried on in a great kingdom, must be much more difficult" ([O.U.P., Vol. I, p. 98; Garnier,] l.c., p. 180).

But one may form some notion of the "average profits of stock" "from the *interest of money*".

> "It may be laid down as a maxim, that wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it; and that, wherever little can be made by it, less will commonly be given for it" ([O.U.P., Vol. I, p. 98; Garnier] l.c., pp. 180-81).

Adam Smith does not say the rate of interest determines profits. He expressly states the reverse. But there are records of the rate of interest for different epochs etc.; such records do not exist for the rate of profit. The rates of interest are therefore indices from which the approximate level of the rate of profit can be judged. But the task set was not to compare the levels of actual rates of profit, but to determine the *natural level of the rate of profit*. Adam Smith seeks refuge in a subsidiary investigation into the level of the rate of interest in different periods, which in no way touches upon the problem he has set himself, He makes a cursory examination of various periods in England and then compares these with Scotland, France and Holland and finds that—with the exception of the American colonies—

> "*high wages of labour and high profits of stock ... are things, perhaps*,[g] which scarce ever go together, except in the peculiar circumstances of new colonies" ([O.U.P., Vol. I, p. 102; Garnier,] l.c., p. 187).

Here Adam Smith tries, like Ricardo—but to a certain extent with more success—to give some approximate explanation of high profits:

> "A new colony must always, for some time, be more under-stocked in proportion to the extent of its territory, and more under-peopled in proportion to the extent of its stock, than the greater part of other countries. They have more land than they have stock to cultivate. What they have, therefore, is applied *to the cultivation only of what is most fertile and most favourably situated*, the land near the sea shore and along the hanks of navigable rivers. Such land, too, is frequently purchased at a price below the value even of its natural produce." (In fact, therefore, it costs *nothing*.) "Stock employed in the purchase and improvement of such lands must yield a very large profit, and, consequently, afford to pay a very large interest. Its rapid accumulation in so profitable an employment enables the planter to increase the number of his hands faster than he can find them in a new settlement. Those whom he can find, therefore, are very liberally rewarded. *Asthe colony increases, the profits of stock gradually diminish. When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation*, and less interest can be afforded for the stock which is so employed, In the greater part of our colonies, accordingly, the ... rate of interest has been considerably reduced during the course of the present century" ([O.U.P., Vol. I, pp. 102-03; Garnier,] l.c., pp. 187-89).

This is one of the foundations of the Ricardian explanation of why profits fall, although it is presented in a different way. On the whole, Smith explains everything

here by the competition between capitals; as capitals grow, profit falls and as they diminish, profit grows, and accordingly wages rise or fall conversely.

||556| "The diminution of the capital stock of the society, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labour, so it raises the profits of stock, and consequently the interest of money. By the wages of labour being lowered, the owners of what stock remains in the society can bring their goods at less expense to market than before, and less stock being employed in supplying the market than before, they can sell them dearer" ([O.U.P., Vol. I, p. 104; Garnier,] l.c., pp. 191-92).

Then he talks about the highest possible and the lowest possible rates [of profit].

The "highest rate" is that which, "in the price of the greater part of commodities, eats up the whole of what should go to the rent of the land, and leaves only what is sufficient to pay the labour of preparing and bringing them to market, according to the lowest rate at which labour can anywhere be paid, the bare subsistence of the labourer" ([O.U.P., Vol. I, p. 108; Garnier,] l.c., pp. 197-98).

> "The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which every employment of stock is exposed. It is this surplus only which is neat or clear profit" ([O.U.P., Vol. I, p. 107; Garnier,] l.c., p. 196).

Adam Smith himself in fact characterises what he says about the "*natural rate of profit":*

> "Double interest is in Great Britain reckoned what the merchants call a *good, moderate, reasonable profit;* terms which, I apprehend, mean no more *than a common and usual*

> *profit*" ([O.U.P., Vol. I, p. 108; Garnier,] l.c., p. 198).

And indeed, Smith calls this "common and usual profit" neither moderate nor good, but his term for it is "the *natural rate* of profit". However, he does not tell us at all what it is or how it is determined although we are supposed to determine the "natural price" of the commodity by means of this "natural rate of profit".

> "In countries which are fast advancing to riches, the low rate of profit may, in the price of many commodities, compensate the high wages of labour, and enable those countries to sell as cheap as their less thriving neighbours, among whom the wages of labour may be lower" ([O.U.P., Vol. I, p. 109; Garnier,] l.c., p. 199).

Low profits and high wages are not reciprocally opposed here, but the same cause—the quick growth or accumulation of capital—produces both. Both enter into the price; they *constitute* it. If therefore one is high while the other is low, the price remains the same, and so on.

Adam Smith here regards profit purely as a surcharge, for at the end of the chapter he says:

> "In reality, high profits tend much more to raise *the price* of work than high wages" ([O.U.P., Vol. I, p. 109; Garnier,] l.c., p. 199). If, for example, the wages of all the working people in linen manufacture were to rise by twopence a day, this would only raise the price of the "piece of linen" by the number of twopences equal to the number of people employed, "multiplied by the number of days during which they had been so employed, That part of the price of the commodity which resolved itself into wages would, through all the different stages of the manufacture, rise only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those working people should be raised five per cent, that part of the price of the

> commodity which resolved itself into profit would, through all the different stages of manufacture, rise in *geometrical proportion* to this rise of profit... In raising the price of commodities the rise of wages operates in the same manner as simple interest does in the accumulation of debt, The rise of profit operates like compound interest" ([O.U.P., Vol. I, pp. 109-10; Garnier,] l.c., pp. 200-01).

At the end of this chapter Adam Smith also tells us *the source* of the whole notion, that the price of the commodity, or its value, is made up out of the values of wages and profits—namely, the *amis du commerce*,[h] the faithful practitioners of competition:

> "Our merchants and master-manufacturers complain much of the had effects of high wages in raising the price, and thereby lessening the sale of their goods, both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent ||557| with regard to the pernicious effects of their own gains. They complain only of those of other people" ([O.U.P., Vol. 1, p. 110; Garnier,] l.c., p. 201).

Chapter X [is entitled] "Of Wages and Profit in the Different Employments of Labour and Stock." This is only concerned with detail and therefore belongs into the chapter on competition. In its way, it is very good. It is completely exoteric.

{Productive and unproductive labour:

> "The lottery of the law ... is very far from being a perfectly fair lottery; and that, as well as many other liberal and honourable professions, is, in point of pecuniary gain, evidently under-recompensed" ([O.U.P., Vol. I, p. 118; Garnier,] Book I, Chapter X, pp. 216-17).

Similarly he says of *soldiers:*

> "Their pay is less than that of common labourers, and, in actual service, their fatigues are much greater" ([O.U.P., Vol. I, pp. 121-22; Garnier,] l.c., p. 223).

And of *sailors* in the navy:

> "Though their skill and dexterity are much superior to that of almost any artificers; and though their whole life is one continual scene of hardship and danger ... their wages are not greater than those of common labourers at the port which regulates the rate of seamen's wages" ([O.U.P., Vol. I, p. 122; Garnier,] l.c., p. 224).

Ironically:

> "It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common trade, The pay of a curate or chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman" ([O.U.P., Vol. I, p. 148; Garnier,] l.c., p. 271).

He expressly says of "*men of letters*" that they are underpaid because of their too great numbers and he recalls that before the invention of printing, "*a scholar and a beggar*" ([O.U.P., Vol. I, p. 151; Garnier,] l.c., pp. 276-77) were synonymous and seems to apply this, in a certain sense, to men of letters.}

The chapter is full of acute observations and important comments .

> "In the same society or neighbourhood, the average and ordinary rates of profit in the different employments of stock should be more nearly upon a level than the pecuniary wages of different sorts of labour" ([O.U.P., Vol. I, p. 124; Garnier,] l.c., p. 228).

> "The *extent of the market*, by giving employment to greater stocks, diminishes *apparent* profit; but by requiring

> supplies from a greater distance, it increases prime cost. This diminution of the one and increase of the other seem, in most cases, nearly to counterbalance one another" (in the case of such articles as bread, meat, etc.) ([O.U.P., Vol. I, p. 126; Garnier,] l.c., p. 232).
>
> "In small towns and country villages, on account *of the narrowness of the market*, trade cannot always be extended as stock extends. In such places, therefore, though the rate of a particular person's profits may be very high, the sum or amount of them can never be very great, nor consequently that of his annual accumulation. In great towns, on the contrary, trade can be extended as stock increases, and the credit of a frugal and thriving man increases much faster than his stock. His trade is extended in proportion to the amount of both" ([O.U.P., Vol. I, p. 127; Garnier,] l.c., p. 233).

Regarding the *false statistical* presentation of wages, for instance in the sixteenth and seventeenth etc. centuries, Adam Smith quite rightly observes that the wages here were only, for example, the wages of cotters, who, when not occupied around their cottages or working for their masters (who gave them a house, "a small garden for pot-herbs, as much grass as will feed a cow, and, perhaps, an acre or two of bad arable land", and, when he employed them, a very poor wage)

> "are said to have been willing to give their spare time for a very small recompense to anybody, and to have wrought for less wages than other labourers... This *daily or weekly recompense*, however, seems to have been considered as *the whole of it*, by many writers who have collected the prices of labour and provisions in ancient times, and who have taken pleasure in representing both as wonderfully low" ([O.U.P., Vol. I, pp. 131-32; Garnier,] l.c., p. 242).

He makes the altogether true observation that:

> "this equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in such as are the sole or principal employments of those who occupy them" ([O.U.P., Vol. I, p. 131; Garnier,] l.c., p. 240).

This point, incidentally, has already been quite well set forth by Steuart, particularly in relation to agricultural wages—as soon as time becomes precious.

||558| With regard to the accumulation of capital in the towns during the Middle Ages, Adam Smith very correctly notes in this chapter, that it was principally due to the exploitation of the country (by trade as well as by manufacture). (There were in addition the usurers and even haute finance; in short, the money merchants.)

> "In consequence of such regulations" [i.e., regulations made by the guilds], "indeed, each class" (within the town corporate) "was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But, in recompense, they were enabled to sell their own just as much dearer; so that, so far it was as broad as long, as they say; and in the dealings of the different classes within the town with one another, none of them were losers by these regulations. But in their dealings with the country they were all great gainers; and in these latter dealings consists the whole trade which supports and enriches every town.
>
> "Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways. First, by sending back to the country a part of those materials wrought up and manufactured; in which case, the price is augmented by the wages of the workmen, and the profits of their masters or immediate employers; secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town; in

> which case, too, the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In what is gained upon the first of those branches of commerce consists the advantage which the town makes by its manufactures; in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country" ([O.U.P., Vol. I, pp. 140-41; Garnier] l.c., pp. 258-59).

{Here, therefore,—l.c., t, 1, l. 1, ch. X, p.259—Adam Smith returns to the correct determination of value, the determination of value by the quantity of labour. This should be quoted as an example when dealing with his theory of surplus-value. If the prices of the commodities which are exchanged between town and country are such that they represent equal quantities of labour, then they are equal to their values. Profit and wages on both sides of the exchange cannot, therefore, determine these values, but the division of these values determines profit and wages. That is why Adam Smith finds that the town, which exchanges a smaller quantity of labour against a greater quantity of labour from the countryside, draws excess profit and excess wages compared with the country. This would not be the case if it did not sell its commodities to the country for *more than* their value. In that case "wages and profits" would not increase "beyond *what they otherwise would be*". If, therefore, wages and profits are at their natural level, then they do not determine the value of the commodity, but are determined by it. Profit and wages can then only arise from the division of the *given value*, which is their

precondition, this value however cannot be the result of preconceived profits and wages.}

> "They give the traders and artificers in the town an advantage over the landlords, farmers, and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The *whole annual produce of the labour of the society is* annually *divided* between those two different sets of people. By means of those" (town) "regulations, *a greater share* of it is given to the inhabitants of the town than would otherwise fall to them; and a less to those of the country.
>
> "The *price* which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. *The dearer the latter are sold*, the cheaper the former are bought. The industry of the town becomes more, and that of the country less advantageous" ([O.U.P., Vol. I, pp. 141-42; Gamier,] l.c., pp. 259-60).

Thus, according to Smith's presentation of the matter, if the commodities of the town and those of the country were sold in proportion to the *quantity of labour* which they each contain, then they would be sold at their *values*, and consequently the profit and wages on both sides of the exchange could not determine *these values*, but would be determined by them. The levelling out of profits—which vary because of the varying organic composition of capitals—does not concern us here, since it does not lead to differences between profits; but equalises them.

||559| "The inhabitants of a town, *being collected into one place*, can, easily combine together. The most insignificant trades carried on in towns have, accordingly, in some place or other, been incorporated" ([O.U.P., Vol. I, p. 142; Garnier] l.c., p. 261). "The inhabitants of the country, dispersed in distant places, cannot easily

combine together. They have not only never been incorporated, but the incorporation spirit never has prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry, the great trade of the country" ([O.U.P., Vol. I, p. 143; Garnier,] l.c., p. 262).

In *this connection* Smith comes to speak of the disadvantages of the "division of labour". The farmer practises a trade requiring more intelligence than the manufacturing worker, who is subject to the division of Labour.

> "The direction of operations, besides, which must be varied with every change of the weather, as well as with many other accidents, requires much more judgement and discretion, than that of those which are always the same, or very nearly the same" ([O.U.P., Vol. I, p. 143; Garnier,] l.c., p. 263).

The division of labour develops the *social* productive power of labour or the productive power of *social* labour, but at the expense of the *general productive ability* of the worker. This increase in *social productive power* confronts the worker therefore as an increased productive power, *not of his* labour, but of *capital*, the force that dominates his labour. If the town labourer is more developed than the country labourer, this is only due to the circumstance that his mode of work causes him to live in *society*, whereas that of the agricultural labourer makes him live directly with nature.

> "The superiority which the industry of the towns has everywhere in Europe over that of the country, is not altogether owing to corporations and corporation laws, It is supported by many other regulations. *The high duties* upon foreign manufactures, and upon all goods imported by alien merchants, all tend to the same purpose" ([O.U.P., Vol. I, p. 144; Garnier,] l.c., p. 265). These "regulations

> secure them" (the towns) against the competition of foreigners.

This is an act, no longer of the town bourgeoisie, but of the bourgeoisie already legislating on a national scale as the *corps de nation* or as the Third Estate of the State Assembly or the Lower House. The specific acts of the town bourgeoisie—directed against the country—are the excise and duties levied at the gates, and, in general, the indirect taxes, which have their origin in the towns (see Hüllmann), while the direct taxes are of country origin. It might appear that the excise, for example, is a tax which the town imposed indirectly upon itself. The countryman must advance it, but reimburses himself in the price of the product. But this was not the case in the Middle Ages. The demand for his products—in so far as he converted these into commodities and money at all—[was, in so far as it came] from the town, mostly compulsorily restricted to the area under the jurisdiction of the town, so that he did not have the power to raise the price of his product by the full amount of the town tax.

> "In Great Britain, the superiority of the industry of the towns over that of the country seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century" (the seventeenth) "or in the beginning of the present" (the eighteenth). "This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stocks accumulated in them come in time to he so great, that it can no longer be employed with the ancient profit in that species of industry which is peculiar to them. That industry has its limits like every other; and the *increase of stock*, by *increasing the competition*, necessarily reduces the profit. *The lowering of profit in the town forces out stock to the country*, where, by

> creating a new demand for country labour, it necessarily raises its wages. *It then spreads itself*, if I may say so, *over the face of the land*, and, by being employed in agriculture, *is in part restored to the country, at the expense of which, in a great measure, it had originally been accumulated in the town*" ([O.U.P., Vol. I, p. 145; Garnier,] l.c., pp. 266-67).

In *Chapter XI of Book I*, Smith then seeks to determine the *natural rate of rent*, the third element which constitutes the value of the commodity. We shall postpone consideration of this and first return again to Ricardo.

This much is clear from the foregoing: When Adam Smith identifies the *natural price* or *cost-price of the commodity* with *its value*, he does so after first abandoning his correct conception of *value*, and substituting for it the view which is evoked by and arises from the phenomena of competition. In competition, the *cost-price* and not the *value* appears as the regulator of the *market-price—so* to speak, as the *immanent price*, the value of the commodity. But in competition this cost-price appears to be represented by the given average rate of wages, profit and rent. Hence Adam Smith tries to establish these separately and independently of the *value* of the commodity— rather as elements of the natural price, Ricardo, whose main concern has been the refutation of this Smithian ||560| aberration, accepts the result that *necessarily* follows from it—namely *the identity of values and cost-prices—although* with Ricardo this result is logically *impossible*.

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* Here Herr Rodbertus can see that in England seeds are "bought".

[a] In the manuscript: "upon".—Ed.

[b] Marx wrote this paragraph in English.—Ed.

[c] In the manuscript: “of fixed capital”.—Ed.

[d] In the manuscript: “unequal rapidity in the return of the capitals to their owners”.—Ed.

* it is possible that the *rate of surplus-value* is not equalised in the different spheres of production (for instance because of unequal length of working time). This is *not necessary* because the surplus-values themselves are equalised.

* Here Roscher could have seen once again what the Englishman understands by the term “monied class”. The “monied class” is here diametrically opposed to the “industrious part of the community”.

[e] Marx quotes here *from Recherches sur la nature et les causes de la richesse des nations*. Paris, 1802, Garnier’s translation of Adam Smith’s work. All passages taken by Marx from the French translation are marked “Garnier” in this edition and are printed in English according to A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Oxford University Press, London, 1928 (referred to hereafter as O.U.P.). The French text, as that of all other quotations taken by Marx from French and German sources, can be found in the Appendices.—Ed.

[f] In the German original: “*verkehrt*” which may mean: upside down, reversed, or: wrong.—Ed.

[g] In Garnier’s translation: “naturellement”.—Ed

[h] Friends of commerce (an expression used by Fourier).—Ed.

B. Adam Smith's Theory of Cost-price]

[1. Smith's False Assumptions in the Theory of Cost-Prices. Ricardo's Inconsistency Owing to His Retention of the Smithian Identification of Value and Cost-Price]

||XI-549| It must first be noted that according to Adam Smith as well,

> "there are always a few commodities of which the price resolves itself into *two* parts only, the wages of labour, and the profits of stock". ([*The Wealth of Nations*, Oxford University Press, London, 1928, Vol. I, p. 56; Garnier,] t. 1, l. 1, ch. VI, p. 103.[e])

This difference between Ricardo's and Smith's views can therefore be ignored here.

Adam Smith first explains that exchange-value resolves itself into a certain quantity of labour and that after deducting raw materials etc., the value contained in exchange-value is resolved into that part of labour for which the labourer is paid and that part for which he is not paid, the latter part consists of profit and rent (the profit in turn may be resolved into profit and

interest). Having shown this, he suddenly turns about and instead of resolving exchange-value into wages, profit and rent, he declares these to be the elements forming exchange-value, he makes them into independent exchange-values that form the exchange-value of the product; he constructs the exchange-value of the commodity from the values of wages, profit and rent, which are determined independently and separately. Instead of having their source in value, they become the source of value.

> "*Wages, profit*, and *rent*, are *the three original sources* of all revenue as well as of *all exchangeable value*" ([O.U.P., Vol. I, p. 57; Garnier,] t, 1, l. 1, ch. VI, p. 105).

Having revealed the intrinsic connection, he is suddenly obsessed again with the aspect of the phenomenon, with the *connection, as it appears in competition*, and in competition everything always appears in inverted[f] form, always standing on its head.

Now it is from this latter inverted starting-point that Smith develops the distinction between the "*natural price* of the commodities" and their "*market-price*". Ricardo accepts this from him, but forgets that Adam Smith's "natural price" is, according to Smith's premises, nothing other than the *cost-price* resulting from competition and that for Smith himself, this cost-price is only identical with the "*value*" of the commodity, in so far as he forgets his more profound conception and sticks to the false concept derived from the external *appearance*, namely that the exchange-value of commodities is formed by putting together the independently determined values of wages, profit and rent. While Ricardo contests this concept throughout, he accepts Smith's confusion or identification of *exchange-value* with *cost-price* or *natural price*, which is based on *that very* concept. In the case of Adam Smith this confusion is legitimate, because his whole examination

of *natural price starts out* from his second, false conception of *value*. But in Ricardo's case, it is wholly unjustifiable, because he nowhere accepts this wrong conception of Adam Smith's, but contests it *ex professo* as an inconsistency. Adam Smith, however, succeeded in ensnaring him again with his *natural price* .

Having *compounded* the value of the commodity from the separate and independently determined *values of wages, profit* and *rent*, Adam Smith now asks himself how these primary va1ues are determined. And here he starts out from the phenomena as they appear in competition.

[*In] Chapter VII, Book I "Of the Natural and Market Price of Commodities*" [he says:]

> "There is in every society or neighbourhood an *ordinary* or *average rate* of ... wages and profit ... and rent... These ordinary or average rates may be called the *natural rates* of wages, profit, and rent, at the time and place in which they commonly prevail" ([OUP., Vol. I, p. 60; Garnier,] l.c., t. I, pp. 110-11). "When the *price* of any commodity is neither more nor less than what is sufficient to pay the rent [...] the wages [...] and the profits [...] according to their *natural* rates, the commodity is then sold for [...] its *natural price*" ([O.U.P., Vol. I, p. 61; Garnier,] l.c., p. 111).

This natural price is then the *cost-price* of the commodity and the cost-price coincides with the *value* of the commodity, since it is presupposed that the value of the commodity is compounded of the values of wages, profit and rent.

> "The commodity is then ||550| *sold precisely for what it is worth*" (the commodity is sold at its *value*) "or *for* what *it* really *costs* the person who brings it to market" (at its *v a l u e* or at the *c o s t-p r i c e* for the person who brings it to

> market) "for though, in common language, what is called the *prime cost* of any commodity does *not comprehend the profit* of the person who is to sell it again, yet, if he sells it at a *price* which *does not allow him* the *ordinary rate of profit* in his neighbourhood, he is evidently a loser by the trade; since *by employing his stock in some other way*, he might have made *that profit*" ([O.U.P., Vol. I, p. 61; Garnier,] l.c., p. 111).

Here we have the whole genesis of natural price and, besides, set out in quite appropriate language and logic, since the value of the commodity is composed of the prices of wages, profit and rent, while the true value of the latter is, in turn, constituted by their *natural rates;* thus it is clear that the value of the *commodity* is identical with its *cost-price* and the latter with the *natural price* of the commodity. The rate of profit, as of wages, is *presupposed*. They are indeed given for the *formation* of the cost-price. They are *antecedent* to the cost-price. To the individual capitalist therefore they also appear as given. The hows, whys and wherefores do not concern him. Adam Smith here adopts the standpoint of the individual capitalist, the agent of capitalist production, who fixes the cost-price of his commodity. So much for wages etc., so much for the general rate of profit. *Ergo:* This is how this capitalist *sees* the operation by which the *cost-price* of the commodity is fixed or, as it further seems to him, the *value* of the commodity, for he also knows that the market-price is now above, now below, this cost-price, which therefore appears to him as the ideal price of the commodity, its absolute price as distinct from its price fluctuations, in short as its *value*, in so far as he has any time at all to reflect on matters of this sort. And since Smith transports himself right into the midst of competition, he immediately reasons and argues with the peculiar logic of the capitalist caught up in this sphere. He interjects: In common language, *costs* do not include the *profit* made by the seller (which necessarily

forms a surplus above his expenses). Why then do you include profit in the cost-price? Adam Smith answers like the profound capitalist to whom this question is put:

Profit in general must enter into cost-price, because I would be cheated if *only* a profit of 9 instead of 10 per cent were to enter into cost-price.

The naïve way in which Adam Smith on the one hand expresses the thoughts of the agent of capitalist production and presents things boldly and comprehensively, as they appear to and are thought of by the latter, as they influence him in practice, and as, indeed, they appear on the surface, while, on the other hand, he sporadically reveals their more profound relationships, gives his book its great charm.

One can see here too why Adam Smith—despite his considerable scruples on this point—resolves the entire value of the commodity into rent, profit and wages and omits constant capital, although of course he admits its existence for each "individual" capitalist. For otherwise he would have to say: The value of a commodity consists of wages, profit, rent and that part of the value of the commodity which does not consist of wages, profit, rent. It would therefore be necessary to determine value independently of wages, profit and rent.

If, besides the outlay on average wages etc., the price of the commodity also covers the average profit and—if rent enters into the commodity—the average rent, then the commodity is sold at its *natural* or *cost-price*, and this cost-price is equal to its *value*, for its value is nothing but the sum of the natural values of wages, profit and rent.

||551| Having taken his stand in competition and *assumed* the rate of profit etc. as *given*, Adam Smith for the rest interprets correctly *natural price* or *cost-*

price, namely, the cost-price as distinct from the market-price.

> "... the *natural price* of the commodity, *o r* the whole *value* of the rent, labour, and profit, which must he paid in order to bring it" to market ([O.U.P., Vol. I, pp. 61-62; Garnier,] l.c., p. 112).

This cost-price of the commodity is different from the *actual price* or *market-price* of the commodity. ([O.U.P., Vol. I, p. 62; Garnier,] l.c., p. 112.) The latter is dependent on demand and supply.

The [sum of the] *costs of production* or the *cost-price* of the commodity is precisely "the *whole value* of the rent, labour, and profit, *which must be paid in order to bring it" to market* ([O.U.P., Vol. I, p. 62; Garnier,] p. 113). If demand corresponds to supply, then the market-price is equal to the natural price.

> "When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the *market-price* naturally comes to he exactly ... the same with the *natural price*" ([O.U.P., Vol. I, p. 63; Garnier,] l.c., p. 114). "The *natural* price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it" ([O.U.P., Vol. I, p. 64; Garnier,] l.c., p. 116).

Hence Adam Smith concludes that in general, the

> "whole quantity of industry annually employed in order to bring any commodity to market" will correspond to the needs of society or the "effectual demand" ([O.U.P., Vol. I, p. 64; Garnier,] l.c., p. 117).

What Ricardo conceives as the distribution of total capital among the various branches of production

appears here in the as yet more naive form of the [quantity of] industry needed in order to produce "a *particular* commodity". The levelling out of prices among the sellers of *the same* commodity to the *market-price* and the *levelling out of the market-prices* of the *various* commodities to the cost-price are here as yet jumbled up in complete confusion.

At this point Smith, only quite incidentally, touches upon the influence of the variation in the real values of commodities on the natural prices or cost-prices.

Namely in agriculture

> "the same quantity of industry will, in different years, produce very different quantities of commodities; while, in others, it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, etc. But the same number of spinners and weavers will every year produce the same, or very nearly the same, quantity of linen and woollen cloth... In the other" (the non-agricultural) "species of industry, the *produce of equal quantities of labour being always the same*, or very nearly the same", (i.e., so long as the conditions of production remain *the same*) "it can be more exactly suited to the effectual demand" ([O.U.P., Vol. I, pp. 64-65; Garnier,] l.c., pp. 117-18).

Adam Smith sees here that a mere change in the productivity of "equal quantities of labour", therefore, in the actual values of commodities, alters cost-prices. But he makes this again more shallow by reducing it to the relation between supply and demand. According to his own arguments, the proposition as he presents it, is wrong. For, while in agriculture, as a result of varying seasons etc., "equal quantities of labour" yield different quantities of products, he himself has demonstrated that as a result of machinery, division of labour etc. "equal

quantities of labour" yield very different amounts of product in manufacture etc. It is therefore not *this* difference which distinguishes agriculture from the other branches of industry; but the fact that in industry the degree of productive power applied is determined beforehand, while in the former, it depends on accidents of nature. But the result remains the same: the *value of the commodities* or the quantity of labour which, depending on its productivity, has to be expended on a given commodity, affects cost-prices.

In the following passage Adam Smith has also [shown] how the migration of capitals from one sphere of production to another establishes cost-prices in the various branches of production. But he is not so clear on this as Ricardo, For if the ||552| price of the commodity falls *below* its *natural price* then, according to his argument, this is due to one of the elements of this price falling *below* the natural rate. Thus it is not due to the withdrawal of *capitals alone* or to the migration of capitals, but to the migration of labour, capital or land from one branch to another, In this respect his view is more consistent than Ricardo's, but it is wrong.

> "Whatever part of it" (the natural price) "was paid below the *natural* rate, the persons whose interest it affected would immediately feel the loss, and would immediately *withdraw either so much land, or so much labour, or so much stock, from being employed about it*, that the quantity brought to market would soon he no more than sufficient to supply the effectual demand. Its *market-price*, therefore, would soon rise to the *natural price*. This at least would be the case where there was perfect liberty" ([O.U.P., Vol. I, p. 69; Garnier,] l.c., p. 125).

This represents an essential difference between Smith's and Ricardo's conceptions of the levelling out to the *natural price*. Smith's [conception] is based on his false assumption, that the three elements independently

determine the value of the commodity, while Ricardo's is based on the correct assumption that it is the *average rate of profit* (at a given level of wages), which alone determines the cost-prices.

[2. Adam Smith's Theory of the "Natural Rate" of Wages, Profit and Rent]

> "The *natural price* itself varies with the *natural rate of* each of its component parts, of wages, profit, and rent" ([O.U.P., Vol. I, p. 70; Garnier,] l.c., p. 127).

In chapters VIII, IX, X and XI of Book I, Adam Smith then seeks to determine the natural rate of these "component parts", wages, rent and profit, and the fluctuations in these rates.

Chapter VIII: "Of the Wages of Labour"

At the start of the chapter on wages, Smith—forsaking the illusory standpoint of competition—in the first place shows the true nature of surplus-value and [regards] profit and rent as mere forms of surplus-value.

The basis from which he determines the natural rate of wages is the value of labour-power itself, the *necessary wage*.

> "A man must always live by his work, and his wages must at least be sufficient to maintain him, They must even upon most occasions he somewhat more, otherwise it would he impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation" ([O.U.P., Vol. I, p. 75; Garnier,] l.c., p. 136).

This, however, becomes meaningless again because he never asks himself how the value of the necessary means of subsistence, i.e., of the *commodity* in general is determined. And here, since he has moved away from his main conception, Adam Smith would have to say: The price of wages is determined by the price of the means of subsistence and the price of the means of subsistence is determined by the price of wages. Having once assumed that the *value* of wages is fixed, he gives an exact description of its fluctuations, as they appear in competition, and the circumstances that cause these fluctuations. This belongs to the exoteric part [of his work] and does not concern us here.

<In particular [he deals with] the *accumulation* of capital, but he does not tell us what determines it, since this accumulation can only be rapid either if the rate of wages is relatively low and the productivity of labour high (in this case a rise in wages is always the result of a permanently low level of wages during the preceding period) or if the rate of accumulation is low but the productivity of labour is high. From his standpoint, he would have to deduce the rate of wages in the first case from the rate of profit (i.e., from the rate of wages), and in the second case from the gross amount of profit, but this would in turn necessitate his investigating the *value* of the commodity.)

He tries to derive the value of the commodity from the value of labour which is one of its constituent parts. And on the other hand he explains the level of wages by saying that

> "the wages of labour do not..., fluctuate with the price of provisions" ([O.U.P., Vol. 1, p. 82; Garnier,] l.c., p. 149) and that "the wages of labour vary more from place to place than the price of provisions" ([O.U.P., Vol. I, p. 82; Garnier,] l.c., p. 150).

In fact the chapter contains nothing relevant to the question except the definition of the *minimum wage*, alias the value of labour-power. Here Adam Smith instinctively resumes the thread of his more profound argument, only to lose it again, so that even the above-cited definition [signifies] nothing. For how [does he propose to] determine the *value* of the necessary means of subsistence—and therefore of commodities in general? Partly by the natural price of labour. And how is this to be determined? By the value of necessaries, or commodities in general. A vicious circle. As to the rest, the chapter contains not a word on the issue, the *natural price* of labour, ||553| but only investigations into the rise of wages above the level of the natural rate, demonstrating that the rise of wages is proportionate to the rapidity with which capital accumulates, that is, to the progressive accumulation of capital. Then he examines the various conditions of society in which this takes place, and finally he gives a slap in the face to the determination of the value of the commodity by wages and of wages by the value of the necessary means of subsistence, by showing that this does not appear to be the case in England. In between comes a piece of Malthusian population theory—because wages are determined by the means of subsistence necessary, not only to maintain the life of the worker, but [should be sufficient] for the reproduction of the population.

Namely after attempting to prove that wages *rose* during the eighteenth century, especially in England, Adam Smith raises the question whether this is to be regarded "as an advantage, or as an inconveniency, to the society" ([O.U.P., Vol. I, p. 87; Garnier,] l.c., p. 159). In this connection he returns temporarily to his more profound approach, according to which profit and rent are merely parts *of the product* of the worker. The workmen, he says:

> "make up the far greater part of every great political society. But what improves the circumstances of the greater part, can never he regarded as any inconveniency to the whole. No society can surely he flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the *whole body of the people*, should have *such a share of the produce of their own labour* as to be themselves tolerably well fed, clothed, and lodged" ([O.U.P., Vol. I, p. 87; Garnier,] l.c., pp. 159-60).

In this connection he touches upon the theory of population:

> "Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation, ... Barrenness, so frequent among women of fashion, is very rare among those of inferior station... But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced; but in so cold a soil, and so severe a climate, soon withers and dies... Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilised society, it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species... *The demand for men*, like that for any other commodity, *necessarily regulates the production of men*, quickens it when it goes on too slowly, and stops it when it advances too fast" ([O.U.P., Vol. I, pp. 87-89; Garnier,] l.c., pp. 160-63 passim).

The connection between the wages minimum and the varying conditions of society is as follows:

> "The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, *to continue the race of*

> *journeymen and servants*, according as the increasing, diminishing, or stationary demand of the society, may happen to require" ([O.U.P., Vol. I, pp. 89-90; Garnier,] l.c., p. 164). (Of the society! That is to say—of capital.)

He then shows that the slave is "dearer" than the free labourer, because the latter himself *looks after his "wear and tear" whereas that of the former* is [controlled] "by a negligent master or careless overseer" ([O.U.P., Vol. I, p. 90; Garnier,] l.c., p. 164). The "fund" for replacing the "wear and tear" is frugally used by the free labourer whereas for the slave it is wastefully and disorderly administered.

> "The fund destined for replacing or repairing, if I may say so, the *wear and tear* of the slave, is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the freeman is managed by the freeman himself. The disorders which generally prevail in the economy of the rich, naturally introduce themselves into the management of the former; the strict frugality and parsimonious attention of the poor as naturally establish themselves in that of the latter" ([O.U.P., Vol. I, p. 90; Garnier,] l.c., p. 164).

It is characteristic in the determination of the minimum wage or the natural price of labour, that it is lower for the free wage-labourer than for the slave. This occurs also to Adam Smith:

> "The work done by freemen comes cheaper in the end than that performed by slaves... The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it, is ||554| to lament over the necessary cause and effect of the greatest public prosperity" ([O.U.P., Vol. I, p. 90; Garnier,] l.c., p. 165).

Adam Smith continues to plead for a high wage.

It not only "encourages the propagation", but also "increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition... animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious than where they are low" ([O.U.P., Vol. I, pp. 90-91; Garnier,] l.c., p. 166).

But high wages spur the workmen on to over-exertion and to premature destruction of their labour-power.

> "Workmen... when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years" ([O.U.P., Vol. I, p. 91; Garnier,] l.c., pp. 166-67). "If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of many of their workmen" ([O.U.P., Vol. I, p. 92; Garnier,] l.c., p. 168).

He goes on to argue against the view that "a little more plenty than ordinary may render some workmen idle" ([O.U.P., Vol. I, p. 92; Garnier,] l.c., p. 169).

Then he examines whether it is true that the workmen are more idle in years of plenty than in years of scarcity and what is the general relation between wages and the price of the means of subsistence. Here again comes the inconsistency.

> "*The money price of labour* is necessarily regulated by two circumstances, the demand for labour, and *the price* of the necessaries and conveniencies of life... The money price of labour is determined by what is requisite for purchasing this quantity" (of the necessaries

> and conveniencies of life) ([O.U.P., Vol. I, pp. 95-96; Garnier,] l.c., p. 175).

[He then examines] why—because of the demand for labour— wages can rise in years of plenty and fall in years of scarcity. ([O.U.P., Vol. I, p. 96 et seq.; Garnier,] l.c., p. 176 et seq.)

The causes [of the rise and fall] in good and had years counterbalance one another.

> "The scarcity of a dear year, by diminishing the demand for labour, tends to lower its price, as the high price of provisions tends to raise it. The plenty of a cheap year, on the contrary, by increasing the demand, tends to raise the price of labour, as the cheapness of provisions tends to lower it. In the ordinary variations of the prices of provisions, those two opposite causes seem to counterbalance one another, which is probably, in part, the reason why the wages of labour are everywhere so much more steady and permanent than the price of provisions" ([O.U.P., Vol. I, p. 96; Garnier,] l.c., p. 177).

As against the concept of wages as the source of the value of commodities, he finally, after all this zigzagging, again advances his original, more profound view, that the value of commodities is determined by the quantity of labour; and if in good years, or with the growth of capital, the worker receives *more* commodities, then he also produces far more commodities, that is to say the individual commodity contains a smaller quantity of labour. He can therefore receive a greater quantity of commodities of less value and thus—this is the implied conclusion— profit can grow, despite rising absolute wages.

> "The increase in the wages of labour necessarily increases the price of many commodities, *by increasing that part of it which resolves itself into wages*, and so far tends to diminish their consumption, both at

> home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work." [This is due to] the division of labour, the use of machinery, inventions, etc.…There are many commodities, therefore, which, in consequence of these improvements, come to be produced *by so much less labour than before*, that *the increase of its price* is more than *compensated* by the *diminution of its quan*tity" ([O.U.P., Vol. I, p. 97; Garnier,] l.c., pp. 177-78).

The labour is better paid, but less labour is contained in the individual commodity, hence a smaller amount has to be paid out. He thus allows his false theory, according to which the value of the commodity is determined by the wage as a constituent element of the value, to be annulled, or rather paralysed, counterbalanced by his correct theory, according to which the value [of the commodity] is determined by the quantity of labour it contains.

||555| *Chapter IX: "Of the Profits of Stock".*

Here accordingly the natural rate of the second element that determines and constitutes the natural price *or* value of the commodities is to be ascertained. What Adam Smith says about the cause of the *fall in the rate of profit* ([Garnier,] l.c., pp. 179, 189, 190, 193, 196, 197, etc.) shall be considered at a later stage.

Adam Smith is confronted here by considerable difficulties. He says that even the determination of average wages amounts merely to ascertaining "the most usual wages" ([O.U.P., Vol. I, p.98; Garnier], l.c., p. 179), the actual given rate of wages.

> "But *even this can seldom be done with regard to the profits* of stock" ([O.U.P., Vol. I, p. 98; Garnier,] l.c., p. 179). Apart from the good or bad fortune of the entrepreneur, this

> profit "is affected by every variation of price in the commodities" ([O.U.P., Vol. I, p. 98; Garnier,] l.c., p. 180)

although it is precisely through the natural rate of profit, as one of the component elements of "value", that we are supposed to determine the natural price of these commodities. This [the determination of the natural rate of profit] is already difficult for a single capitalist in a single trade.

> "To ascertain what is the average profit of all the different trades carried on in a great kingdom, must be much more difficult" ([O.U.P., Vol. I, p. 98; Garnier,] l.c., p. 180).

But one may form some notion of the "average profits of stock" "from the *interest of money*".

> "It may be laid down as a maxim, that wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it; and that, wherever little can be made by it, less will commonly be given for it" ([O.U.P., Vol. I, p. 98; Garnier] l.c., pp. 180-81).

Adam Smith does not say the rate of interest determines profits. He expressly states the reverse. But there are records of the rate of interest for different epochs etc.; such records do not exist for the rate of profit. The rates of interest are therefore indices from which the approximate level of the rate of profit can be judged. But the task set was not to compare the levels of actual rates of profit, but to determine the *natural level of the rate of profit*. Adam Smith seeks refuge in a subsidiary investigation into the level of the rate of interest in different periods, which in no way touches upon the problem he has set himself, He makes a cursory examination of various periods in England and then compares these with Scotland, France and Holland and finds that—with the exception of the American colonies—

> "*high wages of labour and high profits of stock ... are things, perhaps*,[g] which scarce ever go together, except in the peculiar circumstances of new colonies" ([O.U.P., Vol. I, p. 102; Garnier,] l.c., p. 187).

Here Adam Smith tries, like Ricardo—but to a certain extent with more success—to give some approximate explanation of high profits:

> "A new colony must always, for some time, be more under-stocked in proportion to the extent of its territory, and more under-peopled in proportion to the extent of its stock, than the greater part of other countries. They have more land than they have stock to cultivate. What they have, therefore, is applied *to the cultivation only of what is most fertile and most favourably situated*, the land near the sea shore and along the hanks of navigable rivers. Such land, too, is frequently purchased at a price below the value even of its natural produce." (In fact, therefore, it costs *nothing*.) "Stock employed in the purchase and improvement of such lands must yield a very large profit, and, consequently, afford to pay a very large interest. Its rapid accumulation in so profitable an employment enables the planter to increase the number of his hands faster than he can find them in a new settlement. Those whom he can find, therefore, are very liberally rewarded. *Asthe colony increases, the profits of stock gradually diminish. When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation*, and less interest can be afforded for the stock which is so employed, In the greater part of our colonies, accordingly, the ... rate of interest has been considerably reduced during the course of the present century" ([O.U.P., Vol. I, pp. 102-03; Garnier,] l.c., pp. 187-89).

This is one of the foundations of the Ricardian explanation of why profits fall, although it is presented in a different way. On the whole, Smith explains everything

here by the competition between capitals; as capitals grow, profit falls and as they diminish, profit grows, and accordingly wages rise or fall conversely.

||556| "The diminution of the capital stock of the society, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labour, so it raises the profits of stock, and consequently the interest of money. By the wages of labour being lowered, the owners of what stock remains in the society can bring their goods at less expense to market than before, and less stock being employed in supplying the market than before, they can sell them dearer" ([O.U.P., Vol. I, p. 104; Garnier,] l.c., pp. 191-92).

Then he talks about the highest possible and the lowest possible rates [of profit].

The "highest rate" is that which, "in the price of the greater part of commodities, eats up the whole of what should go to the rent of the land, and leaves only what is sufficient to pay the labour of preparing and bringing them to market, according to the lowest rate at which labour can anywhere be paid, the bare subsistence of the labourer" ([O.U.P., Vol. I, p. 108; Garnier,] l.c., pp. 197-98).

> "The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which every employment of stock is exposed. It is this surplus only which is neat or clear profit" ([O.U.P., Vol. I, p. 107; Garnier,] l.c., p. 196).

Adam Smith himself in fact characterises what he says about the "*natural rate of profit":*

> "Double interest is in Great Britain reckoned what the merchants call a *good, moderate, reasonable profit;* terms which, I apprehend, mean no more *than a common and usual*

> *profit*" ([O.U.P., Vol. I, p. 108; Garnier,] l.c., p. 198).

And indeed, Smith calls this "common and usual profit" neither moderate nor good, but his term for it is "the *natural rate* of profit". However, he does not tell us at all what it is or how it is determined although we are supposed to determine the "natural price" of the commodity by means of this "natural rate of profit".

> "In countries which are fast advancing to riches, the low rate of profit may, in the price of many commodities, compensate the high wages of labour, and enable those countries to sell as cheap as their less thriving neighbours, among whom the wages of labour may be lower" ([O.U.P., Vol. I, p. 109; Garnier,] l.c., p. 199).

Low profits and high wages are not reciprocally opposed here, but the same cause—the quick growth or accumulation of capital—produces both. Both enter into the price; they *constitute* it. If therefore one is high while the other is low, the price remains the same, and so on.

Adam Smith here regards profit purely as a surcharge, for at the end of the chapter he says:

> "In reality, high profits tend much more to raise *the price* of work than high wages" ([O.U.P., Vol. I, p. 109; Garnier,] l.c., p. 199). If, for example, the wages of all the working people in linen manufacture were to rise by twopence a day, this would only raise the price of the "piece of linen" by the number of twopences equal to the number of people employed, "multiplied by the number of days during which they had been so employed, That part of the price of the commodity which resolved itself into wages would, through all the different stages of the manufacture, rise only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those working people should be raised five per cent, that part of the price of the

> commodity which resolved itself into profit would, through all the different stages of manufacture, rise in *geometrical proportion* to this rise of profit... In raising the price of commodities the rise of wages operates in the same manner as simple interest does in the accumulation of debt, The rise of profit operates like compound interest" ([O.U.P., Vol. I, pp. 109-10; Garnier,] l.c., pp. 200-01).

At the end of this chapter Adam Smith also tells us *the source* of the whole notion, that the price of the commodity, or its value, is made up out of the values of wages and profits—namely, the *amis du commerce*,[h] the faithful practitioners of competition:

> "Our merchants and master-manufacturers complain much of the had effects of high wages in raising the price, and thereby lessening the sale of their goods, both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent ||557| with regard to the pernicious effects of their own gains. They complain only of those of other people" ([O.U.P., Vol. 1, p. 110; Garnier,] l.c., p. 201).

Chapter X [is entitled] "Of Wages and Profit in the Different Employments of Labour and Stock." This is only concerned with detail and therefore belongs into the chapter on competition. In its way, it is very good. It is completely exoteric.

{Productive and unproductive labour:

> "The lottery of the law ... is very far from being a perfectly fair lottery; and that, as well as many other liberal and honourable professions, is, in point of pecuniary gain, evidently under-recompensed" ([O.U.P., Vol. I, p. 118; Garnier,] Book I, Chapter X, pp. 216-17).

Similarly he says of *soldiers:*

> "Their pay is less than that of common labourers, and, in actual service, their fatigues are much greater" ([O.U.P., Vol. I, pp. 121-22; Garnier,] l.c., p. 223).

And of *sailors* in the navy:

> "Though their skill and dexterity are much superior to that of almost any artificers; and though their whole life is one continual scene of hardship and danger ... their wages are not greater than those of common labourers at the port which regulates the rate of seamen's wages" ([O.U.P., Vol. I, p. 122; Garnier,] l.c., p. 224).

Ironically:

> "It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common trade, The pay of a curate or chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman" ([O.U.P., Vol. I, p. 148; Garnier,] l.c., p. 271).

He expressly says of "*men of letters*" that they are underpaid because of their too great numbers and he recalls that before the invention of printing, "*a scholar and a beggar*" ([O.U.P., Vol. I, p. 151; Garnier,] l.c., pp. 276-77) were synonymous and seems to apply this, in a certain sense, to men of letters.}

The chapter is full of acute observations and important comments .

> "In the same society or neighbourhood, the average and ordinary rates of profit in the different employments of stock should be more nearly upon a level than the pecuniary wages of different sorts of labour" ([O.U.P., Vol. I, p. 124; Garnier,] l.c., p. 228).

> "The *extent of the market*, by giving employment to greater stocks, diminishes *apparent* profit; but by requiring

> supplies from a greater distance, it increases prime cost. This diminution of the one and increase of the other seem, in most cases, nearly to counterbalance one another" (in the case of such articles as bread, meat, etc.) ([O.U.P., Vol. I, p. 126; Garnier,] l.c., p. 232).
>
> "In small towns and country villages, on account *of the narrowness of the market*, trade cannot always be extended as stock extends. In such places, therefore, though the rate of a particular person's profits may be very high, the sum or amount of them can never be very great, nor consequently that of his annual accumulation. In great towns, on the contrary, trade can be extended as stock increases, and the credit of a frugal and thriving man increases much faster than his stock. His trade is extended in proportion to the amount of both" ([O.U.P., Vol. I, p. 127; Garnier,] l.c., p. 233).

Regarding the *false statistical* presentation of wages, for instance in the sixteenth and seventeenth etc. centuries, Adam Smith quite rightly observes that the wages here were only, for example, the wages of cotters, who, when not occupied around their cottages or working for their masters (who gave them a house, "a small garden for pot-herbs, as much grass as will feed a cow, and, perhaps, an acre or two of bad arable land", and, when he employed them, a very poor wage)

> "are said to have been willing to give their spare time for a very small recompense to anybody, and to have wrought for less wages than other labourers... This *daily or weekly recompense*, however, seems to have been considered as *the whole of it*, by many writers who have collected the prices of labour and provisions in ancient times, and who have taken pleasure in representing both as wonderfully low" ([O.U.P., Vol. I, pp. 131-32; Garnier,] l.c., p. 242).

He makes the altogether true observation that:

> "this equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in such as are the sole or principal employments of those who occupy them" ([O.U.P., Vol. I, p. 131; Garnier,] l.c., p. 240).

This point, incidentally, has already been quite well set forth by Steuart, particularly in relation to agricultural wages—as soon as time becomes precious.

||558| With regard to the accumulation of capital in the towns during the Middle Ages, Adam Smith very correctly notes in this chapter, that it was principally due to the exploitation of the country (by trade as well as by manufacture). (There were in addition the usurers and even haute finance; in short, the money merchants.)

> "In consequence of such regulations" [i.e., regulations made by the guilds], "indeed, each class" (within the town corporate) "was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But, in recompense, they were enabled to sell their own just as much dearer; so that, so far it was as broad as long, as they say; and in the dealings of the different classes within the town with one another, none of them were losers by these regulations. But in their dealings with the country they were all great gainers; and in these latter dealings consists the whole trade which supports and enriches every town.
>
> "Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways. First, by sending back to the country a part of those materials wrought up and manufactured; in which case, the price is augmented by the wages of the workmen, and the profits of their masters or immediate employers; secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town; in

> which case, too, the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In what is gained upon the first of those branches of commerce consists the advantage which the town makes by its manufactures; in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country" ([O.U.P., Vol. I, pp. 140-41; Garnier] l.c., pp. 258-59).

{Here, therefore,—l.c., t, 1, l. 1, ch. X, p.259—Adam Smith returns to the correct determination of value, the determination of value by the quantity of labour. This should be quoted as an example when dealing with his theory of surplus-value. If the prices of the commodities which are exchanged between town and country are such that they represent equal quantities of labour, then they are equal to their values. Profit and wages on both sides of the exchange cannot, therefore, determine these values, but the division of these values determines profit and wages. That is why Adam Smith finds that the town, which exchanges a smaller quantity of labour against a greater quantity of labour from the countryside, draws excess profit and excess wages compared with the country. This would not be the case if it did not sell its commodities to the country for *more than* their value. In that case "wages and profits" would not increase "beyond *what they otherwise would be*". If, therefore, wages and profits are at their natural level, then they do not determine the value of the commodity, but are determined by it. Profit and wages can then only arise from the division of the *given value*, which is their

precondition, this value however cannot be the result of preconceived profits and wages.}

> "They give the traders and artificers in the town an advantage over the landlords, farmers, and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The *whole annual produce of the labour of the society is* annually *divided* between those two different sets of people. By means of those" (town) "regulations, *a greater share* of it is given to the inhabitants of the town than would otherwise fall to them; and a less to those of the country.
>
> "The *price* which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. *The dearer the latter are sold*, the cheaper the former are bought. The industry of the town becomes more, and that of the country less advantageous" ([O.U.P., Vol. I, pp. 141-42; Gamier,] l.c., pp. 259-60).

Thus, according to Smith's presentation of the matter, if the commodities of the town and those of the country were sold in proportion to the *quantity of labour* which they each contain, then they would be sold at their *values*, and consequently the profit and wages on both sides of the exchange could not determine *these values*, but would be determined by them. The levelling out of profits—which vary because of the varying organic composition of capitals—does not concern us here, since it does not lead to differences between profits; but equalises them.

||559| "The inhabitants of a town, *being collected into one place*, can, easily combine together. The most insignificant trades carried on in towns have, accordingly, in some place or other, been incorporated" ([O.U.P., Vol. I, p. 142; Garnier] l.c., p. 261). "The inhabitants of the country, dispersed in distant places, cannot easily

combine together. They have not only never been incorporated, but the incorporation spirit never has prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry, the great trade of the country" ([O.U.P., Vol. I, p. 143; Garnier,] l.c., p. 262).

In *this connection* Smith comes to speak of the disadvantages of the "division of labour". The farmer practises a trade requiring more intelligence than the manufacturing worker, who is subject to the division of Labour.

> "The direction of operations, besides, which must be varied with every change of the weather, as well as with many other accidents, requires much more judgement and discretion, than that of those which are always the same, or very nearly the same" ([O.U.P., Vol. I, p. 143; Garnier,] l.c., p. 263).

The division of labour develops the *social* productive power of labour or the productive power of *social* labour, but at the expense of the *general productive ability* of the worker. This increase in *social productive power* confronts the worker therefore as an increased productive power, *not of his* labour, but of *capital*, the force that dominates his labour. If the town labourer is more developed than the country labourer, this is only due to the circumstance that his mode of work causes him to live in *society*, whereas that of the agricultural labourer makes him live directly with nature.

> "The superiority which the industry of the towns has everywhere in Europe over that of the country, is not altogether owing to corporations and corporation laws, It is supported by many other regulations. *The high duties* upon foreign manufactures, and upon all goods imported by alien merchants, all tend to the same purpose" ([O.U.P., Vol. I, p. 144; Garnier,] l.c., p. 265). These "regulations

> secure them" (the towns) against the competition of foreigners.

This is an act, no longer of the town bourgeoisie, but of the bourgeoisie already legislating on a national scale as the *corps de nation* or as the Third Estate of the State Assembly or the Lower House. The specific acts of the town bourgeoisie—directed against the country—are the excise and duties levied at the gates, and, in general, the indirect taxes, which have their origin in the towns (see Hüllmann), while the direct taxes are of country origin. It might appear that the excise, for example, is a tax which the town imposed indirectly upon itself. The countryman must advance it, but reimburses himself in the price of the product. But this was not the case in the Middle Ages. The demand for his products—in so far as he converted these into commodities and money at all—[was, in so far as it came] from the town, mostly compulsorily restricted to the area under the jurisdiction of the town, so that he did not have the power to raise the price of his product by the full amount of the town tax.

> "In Great Britain, the superiority of the industry of the towns over that of the country seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century" (the seventeenth) "or in the beginning of the present" (the eighteenth). "This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stocks accumulated in them come in time to he so great, that it can no longer be employed with the ancient profit in that species of industry which is peculiar to them. That industry has its limits like every other; and the *increase of stock*, by *increasing the competition*, necessarily reduces the profit. *The lowering of profit in the town forces out stock to the country*, where, by

> creating a new demand for country labour, it necessarily raises its wages. *It then spreads itself*, if I may say so, *over the face of the land*, and, by being employed in agriculture, *is in part restored to the country, at the expense of which, in a great measure, it had originally been accumulated in the town*" ([O.U.P., Vol. I, p. 145; Garnier,] l.c., pp. 266-67).

In *Chapter XI of Book I*, Smith then seeks to determine the *natural rate of rent*, the third element which constitutes the value of the commodity. We shall postpone consideration of this and first return again to Ricardo.

This much is clear from the foregoing: When Adam Smith identifies the *natural price* or *cost-price of the commodity* with *its value*, he does so after first abandoning his correct conception of *value*, and substituting for it the view which is evoked by and arises from the phenomena of competition. In competition, the *cost-price* and not the *value* appears as the regulator of the *market-price—so* to speak, as the *immanent price*, the value of the commodity. But in competition this cost-price appears to be represented by the given average rate of wages, profit and rent. Hence Adam Smith tries to establish these separately and independently of the *value* of the commodity— rather as elements of the natural price, Ricardo, whose main concern has been the refutation of this Smithian ||560| aberration, accepts the result that *necessarily* follows from it—namely *the identity of values and cost-prices—although* with Ricardo this result is logically *impossible*.

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* Here Herr Rodbertus can see that in England seeds are "bought".

[a] In the manuscript: "upon".—Ed.

[b] Marx wrote this paragraph in English.—Ed.

[c] In the manuscript: “of fixed capital”.—Ed.

[d] In the manuscript: “unequal rapidity in the return of the capitals to their owners”.—Ed.

* it is possible that the *rate of surplus-value* is not equalised in the different spheres of production (for instance because of unequal length of working time). This is *not necessary* because the surplus-values themselves are equalised.

* Here Roscher could have seen once again what the Englishman understands by the term “monied class”. The “monied class” is here diametrically opposed to the “industrious part of the community”.

[e] Marx quotes here *from Recherches sur la nature et les causes de la richesse des nations*. Paris, 1802, Garnier’s translation of Adam Smith’s work. All passages taken by Marx from the French translation are marked “Garnier” in this edition and are printed in English according to A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Oxford University Press, London, 1928 (referred to hereafter as O.U.P.). The French text, as that of all other quotations taken by Marx from French and German sources, can be found in the Appendices.—Ed.

[f] In the German original: “*verkehrt*” which may mean: upside down, reversed, or: wrong.—Ed.

[g] In Garnier’s translation: “naturellement”.—Ed

[h] Friends of commerce (an expression used by Fourier).—Ed.

[Chapter XI] Ricardo's Theory of Rent.

[1. Historical Conditions for the Development of the Theory of Rent by Anderson and Ricardo]

The main points were dealt with when discussing Rodbertus. Just a few more gleanings here.

Firstly, some comments on the historical aspect:

Ricardo was first of all concerned with the period 1770-1815, which came approximately within his own experience, and during which wheat prices were constantly rising. Anderson [on the other hand] was concerned with the eighteenth century, at the close of which he was writing. During the first half of that century wheat prices were falling and during the second half they were rising. Hence for Anderson, the law he discovered was in no way connected with a diminishing productivity of agriculture or a normal <for Anderson an unnatural> rise in the price of the product. For Ricardo however such a connection existed. Anderson believed that the abolition of the corn laws (at that time export premiums) caused the rise in prices during the second half of the eighteenth century. Ricardo knew that the introduction of corn laws (1815) was intended to prevent the fall in

prices, and to a certain degree was bound to do so. With regard to the latter [it was] therefore necessary to point out that, if left to itself, the law of rent—*within a definite territory*—was bound to result in recourse to less fertile land, thus leading to dearer agricultural products and increased rent at the cost of industry and the mass of the population. And here Ricardo was right, both historically and in practice. Anderson on the other hand [maintained] that corn laws (and he also favours a duty on imports) must further the even development of agriculture within *a definite territory* and that for this even development agriculture needs security. Consequently he [maintained] that this *progressive development in itself*—through the law of rent he discovered—would lead to increased productivity in agriculture and thereby to a fall in the average prices of agricultural produce.

Both of them, however, start out from the viewpoint which, on the continent, seems so strange: 1. That there is no Landed property to shackle any desired investment of capital in land. 2. That expansion takes place from better land to worse (this process is absolute for Ricardo, provided one leaves out of account the interruptions caused by the response of science and industry; for Anderson the worse land is in turn transformed into better land and so it is relative). 3. That a sufficient amount of capital is always available for investment in agriculture.

Now so far as 1. and 2. are concerned, it must seem very odd to the continentals, that in the country in which, according to their conception, feudal landed property has maintained itself most stubbornly, the economists, Anderson as well as Ricardo, start out from the conception that no landed property exists. The explanation for this is:

firstly: the peculiarity of the English "law of enclosures", which is in no way analogous with the continental portioning out of common land;

secondly: nowhere in the world has capitalist production, since Henry VII, dealt so ruthlessly with the traditional relations of agriculture, adapting and subordinating the conditions to its own requirements. In this respect England is the most revolutionary country in the world. Wherever the conditions handed down from history were at variance with, or did not correspond to, the requirements of capitalist production on the land, they were ruthlessly swept away; this applies not only to the position of the village communities but to the village communities themselves, not only to the habitats of the agricultural population but to the agricultural population itself, not only to the original centres of cultivation, but to cultivation itself. The German, for example, meets with economic relations that are determined by traditional circumstances such as land boundaries, the position of the economic centres, given conglomerations of the population. The Englishman meets with historical conditions of agriculture which have been progressively created by capital since the end of the 15th century. "Clearing of estates", a technical term [well-known] in the United Kingdom, will not be found in any continental country. But what is the meaning of this "*clearing of estates*"? It means that without any consideration for the local inhabitants, who are driven away, for existing village communities, which are obliterated, for agricultural buildings, which are torn down, for the type of agriculture, which is transformed in one fell swoop, for instance arable land converted into grazing pasture—[in short] none of the conditions of production are accepted as they have traditionally existed but are historically *transformed* in such a way that under the circumstances, they will provide the most profitable investment for capital. To that extent, therefore, *no*

landed property exists; it gives capital—i.e., the farmer—full scope, since it is only concerned with monetary income. A Pomeranian landowner, therefore, with his head full of ancestral land boundaries, centres of economy and lectures on agriculture etc., may well be amazed by Ricardo's "unhistorical" view of the ||561| development of conditions in agriculture. This shows merely that he naïvely confuses Pomeranian conditions with those prevailing in England. But it cannot be said that Ricardo, who in this case starts from the conditions in England, is just as narrow-minded as the Pomeranian landowner, who can think only in terms of Pomeranian conditions. English conditions are the only ones in which *modern landownership*, i.e., landownership which has been *modified* by capitalist production, has been adequately developed. For the modern—the capitalist—mode of production, the English view is here the classical view. The Pomeranian, on the other hand, judges the developed relations from a historically lower and as yet inadequate form.

Indeed, most of Ricardo's continental critics even take as their starting-point conditions in which the capitalist mode of production, adequate or inadequate, does not as yet exist at all. It is as if a guild-master wanted, lock, stock and barrel, to apply Adam Smith's laws—which presuppose free competition—to his guild economy.

The presupposition of the movement from better to worse land—relatively to the particular stage in the development of the productive power of labour as with Anderson, and not absolutely as with Ricardo—could only arise in a country such as England, where within a relatively very small territory capital has farmed so ruthlessly and has for centuries mercilessly sought to adapt to its own needs all traditional relationships of agriculture. Thus it [the presupposition] could only arise where, unlike the continent, capitalist production in

agriculture does not date from yesterday and does not have to fight against old traditions.

A second factor influencing the English was the knowledge they gained through their *colonies*. We have seen that Adam Smith's work—with direct reference to the colonies—already contains the basis for the entire Ricardian viewpoint. In these colonies, and especially in those which produced only merchandise such as tobacco, cotton, sugar etc. and not the usual foodstuffs, where, right from the start, the colonists did not seek subsistence but set up a business, fertility was of course decisive, *given the situation* [of the land], and given the fertility, *the situation* of the land was decisive. They did not act like the Germans, who settled in Germany in order to make their home there, but like people who, driven by motives of *bourgeois production*, wanted to produce *commodities*, and their point of view was, from the outset, determined not by the product but by the sale of the product. That *Ricardo* and other English writers transferred this point of view—which emanated from people who were themselves already the product of the capitalist mode of production—from the colonies to the course of world history and that they took the *capitalist mode of production* as a premise for agriculture in general, as it was for *their* colonists, is due to the fact that they saw in these colonies, only in more obvious form, *without the fight against traditional relations*, and therefore *untarnished*, the same domination of capitalist production in agriculture as hits the eye everywhere in their own country. Hence, if a German professor or landowner—belonging to a country which differs from all others in its complete lack of colonies—considers such a view to be "false", then this is quite understandable.

Finally the presupposition of a continuous flow of capital from one sphere of production into another, this *basic assumption of Ricardo's* amounts to nothing more than the assumption that developed capitalist

production predominates. Where this domination is not yet established, this presupposition does not exist. For instance, a Pomeranian landowner will find it strange that neither Ricardo nor indeed any English writer ever suspects that agriculture might *lack capital*. The Englishman does, indeed, complain of lack of land in proportion to capital, but *never* of a lack of capital in proportion to the land. *Wakefield, Chalmers*, etc. try to explain the fall in the rate of profit from the former circumstance. The latter does not exist for any English writer; Corbet notes as a self-explanatory fact, that *capital is always redundant in all branches of production*. On the other hand, bearing in mind the situation in Germany, the landowner's difficulties in borrowing money—because mostly it is the landowner himself who cultivates the land and not a capitalist class which is quite independent of him—it is understandable that Herr Rodbertus, for example, is surprised at "the Ricardian fiction, that the *supply* of capital is regulated by the desire to invest it". ([*Sociale Briefe an v. Kirchmann. Dritter Brief*, Berlin, 1851] p. 211.) What the Englishman lacks is a "field of action", opportunity for investment of the available stock of capital. But a "desire for capital" to "invest", on the part of the only class which has capital to invest—the capitalist class—this does not exist in England.

||562| This "desire for capital" is Pomeranian.

The objection made by English writers against Ricardo was not that capital was not available in any desired quantity for particular investments, but that the return flow of capital from agriculture encountered specific technical etc. obstacles.

This kind of critical-continental censoriousness of Ricardo, therefore, only shows the lower stage in the conditions of production from which these "sages" start out.

[2. The Connection Between Ricardo's Theory of Rent and His Explanation of Cost-Prices]

Now to the matter in hand.

In the first place, in order to isolate the problem, we must leave aside entirely *differential rent*, which *alone* exists for Ricardo. By *differential rent* I understand the *difference in the magnitude* of rent—the greater or smaller rent which is due to the *different fertility of the various types of land*. (Given equal fertility, differential rent can only arise from differences in the amounts of capital invested. This case does not exist for our problem and does not affect it.) This differential rent merely corresponds to the *excess profits* which, given the *market-price* or, more correctly, the *market-value*, will be made in every branch of industry, for example cotton spinning, by *that* capitalist whose conditions of production are *better* than the average conditions of this particular trade. For the *value* of the commodity of a particular sphere of production is determined, not by the *quantity of labour* which the individual commodity costs, but by the quantity which *the* commodity costs that is produced under the *average* conditions of the sphere. Manufacture and agriculture only differ from one another here in that in the one, the excess profits fall into the pocket of the capitalist himself, whereas in the other they are pocketed by the landowner, and furthermore, that in the former they are *f l u i d*, they are not lasting, are made by this capitalist or that, and always disappear again, while in the latter they *become fixed* because of

their enduring (at least for a long period) natural basis in the *variations in the land*.

This differential rent must therefore be left out of account, but it should be noted that it may exist not only when a movement from better to inferior land takes place but also from inferior to better land. In both cases the only requirement is that the newly cultivated land is necessary but at the same time only just sufficient to satisfy the additional demand. If the newly cultivated, better land were *more* than sufficient to satisfy the additional demand then, according to the volume of the additional demand, part or all of the inferior land would be thrown *out of cultivation* or, at any rate, out of *cultivation of that product* which forms the basis of the agricultural rent, i.e., in England of wheat and in India of rice. Thus differential rent does not presuppose a *progressive deterioration of agriculture*, but can equally well spring from a *progressive improvement* in it. Even where it is based on the descent to worse types of land, firstly this *descent* may be due to an improvement in the productive forces of agriculture, in that the cultivation of the worse land, at the *price* which is set by demand, is *only* made possible by greater productive power. Secondly, the *worse land* can be improved; the differences will nevertheless remain, although they will become smaller, so that as a result there is only a *relative, comparative* decrease in productivity—whereas *absolute* productivity *increases*. This was in fact the presupposition made by Anderson, the original author of the Ricardian law.

Then, in the second instance, only the *agricultural rent in the strict sense* should be considered here, in other words the rent of the land which supplies the chief vegetable foods. Smith has already explained that the rents of land which supplies the other products, such as stock-raising etc., are determined by *that rent;* that they are themselves *derived*, determined by the law of rent

and not determining it. In themselves therefore these rents do not furnish any useful material for the understanding of the law of rent in its original, pure condition: There is nothing primary about them.

This settled, the question is reduced to the following: Does an *absolute rent* exist? That is, a rent which arises from the fact that capital is invested in agriculture rather than manufacture; a rent which is quite independent of *differential rent* or *excess profits* which are yielded by capital invested in better land?

It is clear that Ricardo correctly answers this question in the *negative*, since he starts from *the false* assumption that *values* and *average prices of commodities are identical*, If this were the case, it would be a tautology to say that the price of agricultural products is *above* their *cost-price—when* ||563| the constant price of agricultural products yields, beyond the average profits, also an *extra rent*, a constant surplus over and above the average profit—for this cost-price equals the advances plus the average profit and nothing else. Were the prices of agricultural products to stand *above* their cost-prices, and always to yield an excess profit, they would consequently stand *above* their value. There would be no alternative but to assume that agricultural products are perpetually sold *above* their value, which, however, equally presupposes that all other products are sold *below* their value, or that value in general is something quite different from that which the theory requires it to be. Taking into account all compensations which take place between the different capitals owing to differences arising from the process of circulation, *the same quantity of labour* (immediate and accumulated) would produce a *higher* value in agriculture than in manufacture. The value of the commodity would therefore *not* be determined by the quantity of labour contained in it. The whole foundation of political economy would thus be thrown overboard. Ergo, Ricardo

rightly concludes: no absolute rents. Only differential rent is possible; in other words the value of the agricultural product grown on the worst land equals the *cost-price* of the product, as [with] every other commodity, [this is equal to its] value. The capital invested in the worst land differs from capital invested in manufacture only by *the type of investment*, by its being a particular species of investment. Here therefore the universal validity of the law of value becomes apparent. *Differential rent—and* this is the sole rent on better land—is nothing but the excess profit yielded by capitals employed in above-average conditions owing to the [establishment of] *one identical market-value* in *every* sphere of production. This excess profit consolidates itself only in agriculture because of its *natural basis* and, furthermore, the excess profit flows not into the pocket of the capitalist but into that of the landowner since it is the *landowner* who represents this natural basis.

The entire argument collapses together with Ricardo's assumption, that *cost-price* equals *value*. The *theoretical interest* which forces him into a denial of absolute rent disappears. If the value of the commodities differs from their cost-price, then they necessarily fall into three categories. In the first category, cost-price is equal to the value of the commodity, in the second, the value is *below* its cost-price and in the third it is *above* its cost-price. The fact, therefore, that the *price* of the agricultural product yields a rent, only shows that the agricultural product belongs to that group of commodities whose value is *above* their cost-price. The only remaining problem requiring solution would be: why, in contrast to other commodities whose value is also *above* their cost-price, competition between capitals does not reduce the value of agricultural products to their *cost-price*. The question already contains the answer. Because, according to the presupposition, this

can only happen in so far as the competition between capitals is able to effect such an equalisation, and this in turn can only occur to the extent that all the conditions of production are either directly created by capital or are equally—elementally—at its disposal as if it had created them. With land this is not the case, because *landed property* exists and capitalist production starts its career on the *presupposition* of *landed property*, which is not its own creation, but which was already there *before* it. The mere existence of landed property thus answers the question. All that capital can do is to subject agriculture to the conditions of capitalist production. But it cannot deprive *landed property* of its hold on that part of the agricultural product which capital could appropriate—not through its own action—but *only* on the assumption of the *non-existence of landed property*. Since landed property exists, capital must however leave the excess of value over cost-price to the landowner. But this difference [between value and cost-price] itself only arises from a difference in the composition of the *organic* component parts of capital. All commodities whose value, in accordance with this organic composition, is *above* the cost-price, thereby show that the labour expended on them is *relatively* less productive than that expended on the commodities whose value is equal to the cost-price and even less productive than that expended on the commodities whose value is *below* the cost-price; for they require a greater quantity of *immediate* labour in proportion to the *past labour* contained in the constant capital; they require more labour in order to set in motion a definite capital. This is a *historical* difference and can therefore disappear. The same chain of reasoning which demonstrates the possibility of the existence of *absolute rent*, shows its reality, its existence, as a purely historical fact, which belongs to a *certain* stage of development of agriculture and which may disappear at a higher stage.

Ricardo explained differential rent from an *absolute decrease in productivity* in agriculture. Differential rent does not presuppose this, nor does Anderson make this assumption. On the other hand Ricardo denies the existence of absolute rent because he ||564| assumes the *organic composition of capital* to be the same in industry and agriculture and so denies the purely historical fact of the *lower development* of the productive power of labour in agriculture as compared with manufacture. Hence lie falls into a twofold historical error: On the one hand, he assumes that the productivity of labour in agriculture is *absolutely the same* as in industry, thus denying a purely *historical* difference in their actual stage of development. On the other hand, he assumes an *absolute decrease in the productivity of agriculture* and regards this as its law of development. He does the one in order to make *cost-price* on the worst land equal *value* and he does the other in order to explain the differences between the *cost-prices* [of the products] of the better kinds of land and their *values*. The whole blunder originates in the confusion of *cost-price* with *value*.

Thus the Ricardian theory is disposed of. The rest was dealt with earlier, in the chapter on Rodbertus.

[3. The Inadequacy of the Ricardian Definition of Rent]

I have already indicated that Ricardo opens the chapter by stating that it is necessary to examine "whether the *appropriation* of land, and the consequent creation of rent" ([David Ricardo, *On the Principles of Political Economy, and Taxation*, third edition, London, 1821], p. 53) do not interfere with the determination of value by labour-time. And he says later:

> "Adam Smith... cannot be correct in supposing that the *original rule which regulated the exchangeable value of commodities*, namely, the comparative quantity of labour by which they were produced, can *be at all altered by the appropriation of land and the payment of rent*" (l.c., p. 67).

This direct and conscious connection which Ricardo's theory of rent has with the determination *of value* is its theoretical merit. Apart from that this *Chapter II "On Rent"* is rather inferior to West's exposition. It contains much that is queer, *petitio principii* and unfair dealing with the problem.

Actual agricultural rent, which Ricardo justifiably here treats as rent proper, is that which is paid for the permission to invest capital, to produce capitalistically, *in the element land*. Here land is the *element of production*. This does not apply, for example, to rent for buildings, waterfalls etc. The powers of nature which are paid for in these cases enter into production as a *condition*, be it as productive power or as *sine qua non*, but they are not the *element* in which this particular branch of production is carried on. Again, in rents for mines, coal-mines etc., the earth is the reservoir, from whose bowels the use-values are to be torn. In this case payment is made for the land, not because it is the *element* in which production is to take place, as in agriculture, not because it enters *into* production as one of the conditions of production, as in the case of the waterfall or the building site, but because it is a reservoir containing the *use-values*, which are to be got hold of through industry.

Ricardo's explanation that:

> "*Rent* is that portion of the produce of the earth, which is paid to the landlord for *the use* of the *original* and *indestructible powers of the soil*" (l.c., p. 53)

is poor. Firstly, the soil has no "indestructible powers". (A note on this is to follow at the end of this chapter.) Secondly, it has no "original" powers either, since the land is in no way "original", but rather the product of an historical and natural process. But let that pass. By "original" powers of the land we understand here those, which it possesses independently of the action of human industry, although, on the other hand, the powers given to it by human industry, become just as much its original powers as those given to it by the process of nature. Apart from this, it is correct to say that rent is a payment for the "*use*" of natural things, irrespective of whether it is for the use of the "original powers" of the soil or of the power of the waterfall or of land for building or of the treasures to be found in the water or in the bowels of the earth.

As distinct from the *agricultural rent proper*, Adam Smith (says Ricardo) speaks of the rent paid for wood from virgin forests, rent of coal-mines and stone-quarries. The way in which Ricardo disposes of this is rather strange.

He begins by saying that the rent of land must not be confused with the interest and profit of capital (l.c., p. 53), that is:

> "capital [...] employed in ameliorating the quality of the land, and in erecting such buildings as were necessary to secure and preserve the produce" (l.c., p. 54).

From this he immediately [passes on] to the above-mentioned examples from Adam Smith. With regard to virgin forests:

> "Is it not, however, evident, that the person who paid what he" (Adam Smith) "calls rent, paid it in consideration of the *valuable commodity* which was then standing on the

> land, and that he actually *repaid himself with a profit, by the sale of the timber?*" (l.c., p. 54).

Similarly with the stone-quarries and coal-mines.

> "... the compensation ||565| [...] for the mine or quarry, is paid for the *value* of the coal or stone which can be removed from them, and has no connection with the original and indestructible powers of the land. This is a distinction of great importance, in an enquiry concerning rent and profits; for it is found, that the laws which regulate the progress of rent, are widely different from those which regulate the progress of profits, and seldom operate in the same direction" (l.c., pp. 54-55).

This is very strange logic. One must distinguish *rent* paid to the owner of the land for the *use* of the "*original and indestructible powers of the soil*" from the *interest and profit* which is paid to him for the capital he has invested in *ameliorating* the land, etc. The "*compensation*" which is paid to the owner of naturally-grown forests for the right to "remove" wood, or to the owner of stone-quarries and coal-mines for the right to remove stones and coal, is not *rent*, because it is not a payment for the "use of the original and indestructible powers of the soil". Very well. But Ricardo argues as though this "compensation" were the same as the profit and interest which are paid for capital invested in ameliorations of the land. But this is wrong. Has the owner of a "virgin forest" invested "capital" in it so that it may bear "wood" or has the owner of stone-quarries and coal-mines invested "capital" in these, so that they may contain "stones" and "coal"? Whence, therefore, his "compensation"? It is by no means—as Ricardo tries to make out—profit or interest of capital. Therefore it is "*rent*" and nothing else, even if it is not *rent* as defined by Ricardo. But this only shows that his definition of rent excludes those forms of it where the "compensation" is paid for mere *natural things*, in which no human labour is embodied, and where it is paid to the *owner* of these

natural things only because he is the "owner", *the owner of land*, whether this consists of soil, forest, fish pond, waterfall, building land or anything else. But, says Ricardo, the man who *paid* for the right to fell trees in the forest, paid "in consideration of the *valuable commodity* which was then *standing on the land* and [...] actually *repaid himself with a profit*, by the sale of the timber" [p. 54]. Stop! When Ricardo here calls the wood, i.e., the trees "*standing on the land*" in the virgin forest a "*valuable* commodity", then this means only that it is potentially a *use-value*. And this use-value is expressed here in the word "valuable". But it is not a "*commodity*". Because for this it would, at the same time, have to be exchange-value, in other words, to contain a certain quantity of labour expended upon it. It only becomes a commodity by being separated from the virgin forest, by being felled, removed and transported—by being transformed from wood into timber. Or does it only become a commodity by the fact it is *sold?* Then arable land too becomes a commodity by the mere act of *selling?*

Then we would have to say: *Rent is the price paid to the owner of natural forces or mere products of nature* for the right of using those forces or appropriating (by labour) those products. This is in fact the form in which all rent *appears* originally. But then the question remains to be solved, how things which have no *value* can have a *price* and how this is compatible with the general theory *of value*. The question: for *what purpose* does the man pay "a compensation" for the right to remove timber from the land upon which it stands, has nothing to do with the real question. The question is: from what *fund* does he pay? Well, says Ricardo, "*by the sale of the timber*". That is, out of the *price* of the timber. And furthermore, this price was such that, as Ricardo says, the man "actually repaid himself *with a profit*". Now we know where we are. The price of the timber must at any rate equal the sum of money representing the quantity of

labour necessary to fell the timber, to remove it, to transport it, to bring it to market. Now is the profit with which the man "repays" himself, an addition over and above this *value*, this exchange-value just imparted to the wood through the labour expended upon it? If Ricardo said this then he would fall into the crudest conception, far beneath his own doctrine. No. Given that the man was a capitalist, the profit is part of the labour he employed in the production of the "timber", the part for which he did *not pay;* and the man would have made the same profit, if he had set in motion the same amount of labour, shall we say, in cotton spinning. (If the man is not a capitalist, then the profit is equal to that quantity of his labour which he exerts beyond that which is necessary to cover his wages, and which would have constituted the profit of the capitalist, had a capitalist employed him, but which now constitutes his own profit because he is his own wage-labourer and his own capitalist in *one and the same* person.) But here we come to the *ugly word* that this timber man "actually *repaid* himself with a profit". This gives the whole transaction a very ordinary look and corresponds to the crude manner of thinking which this capitalist, who removes timber, may himself have of the source of his profit. First he pays the owner of the virgin forest for the use-value wood, which, however, has no "value" (value in exchange) and which, so long as it "stands upon the land" has not even a use-value. He may pay him £ 5 per ton. And then he sells the same wood to the public (setting aside his other costs) at £ 6 and so actually pays back to himself the £5 with a profit of 20 per cent. [He] "actually repaid himself with a profit". If the owner of the forest had only demanded "compensation" of £ 2 (40 s.), then the timber man would have sold the ton at £2 8s. instead of at [£] 6. ||566| Since he always adds the same rate of profit, the price of timber would be high or low here because the rent is high or low. The latter would enter into the price as a constituent part but would in no way be the result of the price. Whether the "rent"—

compensation—is paid to the owner of the land for the use of the "power" of the land or for the "use" of the "natural products" of the land, in no way alters the economic relations, in no way alters the fact that money is paid for "a natural thing" (power or produce of the earth) upon which no previous human labour has been spent. And thus on the second page of his chapter "*On Rent*" Ricardo would have overthrown his whole theory in order to avoid a difficulty. It would appear that Adam Smith was a great deal more far-sighted here.

The same case with the stone-quarries and coal-mines.

> "The compensation *given* for the mine or quarry, is paid for the *value* of the coal or stone which can be removed from them, and has no connection with the *original* and indestructible *powers* of the land"[a] (l.c., pp. 54-55).

No! But there is a very significant connection with the "*original* and destructible *productions* of the soil". The word "*value*" is just as ugly here as the phrase "*repaid* himself with a profit" was above.

Ricardo never uses the word *value* for utility or usefulness or "value in use". Does he therefore mean to say that the "compensation" is paid to the owner of the quarries and coal-mines for the "*value*" the coal and stone have before they are removed from the quarry and the mine—in their original state? Then he invalidates his entire doctrine of value. Or does *value* mean here, as it must do, the *possible* use-value and hence also the *prospective exchange-value* of coal and stone? Then it means nothing but that their owner is paid *rent* for the permission to use the "original composition of the soil" for the production of coal and stones. And it is absolutely incomprehensible why this should not be called "rent", in the same way as if the permission were given to use the "powers" of the land for the production of wheat. Or we

end up again with the annulment of the whole theory of rent, as explained in connection with wood. According to the correct theory, there are no difficulties involved here at all. The labour, or capital, employed in the "production" <not reproduction> of wood, coal or stone (this labour, it is true, does not create these natural products, but separates them from their elementary connection with the earth and so "produces" them as usable wood, coal or stone) evidently belongs to those spheres of production in which the part of capital laid out in wages is greater than that laid out in constant capital, [where consequently the amount of] direct labour is greater than that of "past" labour the result of which serves as a means of production. If, therefore, the commodity is sold at its value here, then this value will be above its *cost-price*, i.e., the wear and tear of the instruments of labour, the wages, and the average profit. The *excess can* thus be paid as rent to the owner of forest, quarry or coal-mine.

But why these clumsy manoeuvres of Ricardo's, such as the wrong use of value etc.? Why this clinging to the explanation of rent as a payment for the use of the "original and indestructible powers of the land"? Perhaps the answer will emerge later. In any case, he wants to distinguish, to mention specifically, the agricultural rent in the strict sense and at the same time to open the way for differential rent, by saying that payment for this elementary power can only be made in so far as it develops different degrees of power.

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[a] In the manuscript: "*soil*".—Ed.

[Chapter XII] Tables of Differential Rent and Comment

[1. Changes in the Amount and Rate of Rent]

A further comment on the above: Supposing more productive or better situated coal-mines and stone-quarries were discovered, so that, with the same quantity of labour, they yield-ed a larger product than the older ones, and indeed *so large a product* that it covered the entire demand. Then the value and therefore the price of coal, stones, timber, would fall and as a result the old coal-mines and stone-quarries would have to be closed. They would yield neither profit, nor wages, nor rent. Nevertheless, the *new* ones would yield rent just as the old ones did previously although *less* (at a lower rate). For every increase in the productivity of labour reduces the amount of capital laid out [in] wages, in proportion to the constant capital which is in this case laid out in tools. Is this correct? Does this also apply here, where the change in the productivity of labour does not arise from a change in the *method of production* itself, but from the natural fertility of the coal-mine or the stone-quarry, or from their situations? One can only say here that in this case *the same* quantity of capital yields more tons of coal or stone and that therefore each individual ton contains less labour; the total tonnage,

however, contains as much as, or even more [labour], if the new mines or quarries satisfy not only the old demand which was previously supplied by the old mines and quarries, but also an additional demand, and, moreover, an additional demand which is greater than the difference between the productivity of the old and that of the new mines and quarries. But this would not alter the *organic composition* of the capital *employed*. It would be true to say that the price of a ton, an individual ton, contained less rent, but only because altogether it contained less labour, hence also less wages and less profit. The *proportion* of the *rate of rent* to profit would, however, not be affected by this. Hence we can ||567| only say the following:

If demand remains the same, *if*, therefore, *the same* quantity of coal and stone is to be produced as before, then *less capital* is employed now in the new richer mines and quarries than before, in the old ones, in order to produce *the same* mass of commodities. The total value of the latter thus falls, hence also the total amount of rent, profit, wages and constant capital employed. But the proportions of rent and profit change no more than those of profit and wages or of profit and the capital laid out, because there has been no *organic* change in the capital employed. Only the *size* and not the *composition* of the capital employed has changed, hence neither has the method of production.

If there is an *additional demand* to be satisfied, an additional demand moreover that equals the difference in fertility between the new and the old mines and quarries, then *the same amount of capital* will be used now as previously. The value of the individual ton falls. But the total tonnage has the same value as before. As regards the individual ton, the size of the portions of value which resolve into profit and rent decreased together with the value it contained. But since the amount of *capital* has remained the same and with it the total value of its

product and no *organic* change has taken place in its composition, the *absolute amount of rent and profit* has remained the same.

If the *additional demand* is so great that with the same capital investment it is not covered by the difference in fertility between the new and the old mines and quarries, then additional capital will have to be employed in the new mines. In this case—provided the growth of the total capital invested is not accompanied by a change in the distribution of labour, the application of machinery, in other words provided there is *no* change in the *organic* composition of the capital—the *amount of rent and profit* grows because the value of the total product grows, the value of the total tonnage, although the value of each individual ton falls and therefore also that part of its value which resolves into rent and profit.

In all these instances, there is *no change* in the rate of rent, because there is no *change* in the *organic composition* of the capital employed (however much its *magnitude* may *alter*). If, on the other hand, the change arose out of such a change—i.e., from a decrease in the amount of capital laid out in wages as compared with that laid out in machinery, etc., so that the method of production itself is altered—then the *rate of rent* would fall, because the difference between the value of the commodity and the cost-price would have decreased. In the three cases considered above, this does not decrease. For though the value falls, the cost-price of the individual commodity falls likewise, in that less labour is expended upon it, less paid and unpaid labour.

Accordingly, therefore, when the greater productivity of labour, or the lower value of a certain measure of commodities produced, arises only from a change in the productivity of the natural elements, from the difference between the natural degree of fertility of soils; mines, quarries etc., then the amount of rent may fall because,

under the altered conditions, a lesser quantity of capital is employed; it may remain constant *if* there is an additional demand; it may grow, *if* the additional demand is greater than the difference in productivity between the previously employed and the newly employed natural agencies. The rate of rent, however, could only grow with a change in the organic composition of the capital employed.

Thus the *amount of rent* does not necessarily fall if the worse soil, quarry, coal-mine etc. is abandoned. The *rate of rent*, moreover, can never fall if this abandoning is purely the result of *lesser* natural fertility.

Ricardo distorts the correct idea, that in this case, depending on the state of demand, the *amount of rent* may fall, in other words depending upon whether the *amount* of *capital employed* decreases, remains the same or grows; he confuses it with the fundamentally wrong idea, that the *rate of rent* must *fall*, which is an *impossibility* on the assumption made, since it has been assumed that *no change* in *the organic composition of capital* has taken place, therefore no change affecting the *relationship between value and cost-price*, the only relationship that determines the *rate of rent*.

[2. Various Combinations of Differential and Absolute Rent. Tables A, B, C, D, E]

But what happens to *differential rents* in this case?

Supposing that three groups of coal-mines were being worked: I, II and III. Of these, I bore the absolute rent, II a rent which was twice that of I, and III a rent which was

twice that of II or four times that of I. In this example, I bears the absolute rent R, II 2R and III 4R. Now *if* No. IV is opened up, and *if* this is more productive than I, II and III, and if it is so extensive that the capital invested in it can be as great as that in I, [then] in this case—the former *state of demand remaining constant—the* same amount of capital as was previously invested in I would now be invested in IV. I would thereupon be closed and a part of the capital invested in II would have to be withdrawn. IV would suffice to replace I and a part of II, but III and IV would not suffice to supply the whole demand, without part of II continuing to be worked. Let us assume, for the sake of the illustration, that IV—using the same amount of capital as was previously invested in I—is capable of providing the whole of the supply from I and half the supply from II. If, therefore, half the previous capital were invested in II, the old capital in III and the new in IV, then the whole market would be supplied.

||568| What changes had taken place, or how would the changes accomplished affect the general rental, the rents of I, II, III and IV?

The[a] *absolute rent*, derived from IV, would, in amount and rate, be absolutely the same as that formerly derived from I; in fact the *absolute rent*, in amount and rate, would also before have been the same on I, II and III, always supposing that the *same amount of capital* was employed in those different classes. The value of the produce of IV would be exactly identical to that formerly employed on I, because it is the produce of a capital *of the same magnitude* and of a capital of the *same organic composition*. Hence the difference between [the] value [of the product] and its cost-price must be the same; hence [also] the rate of rent. Besides, the amount [of rent] must be the same, because—at a *given rate* of rent—capitals of the same magnitude would have been employed. But, since the [market] -

value of the coal is not determined by the [individual] value of the coal derived from IV, it would bear an excess rent, or an overplus over its *absolute rent;* a rent derived, not from any difference between value and cost-price, but from the difference between the *market-value* and the *individual value* of the produce No. IV.

When we say that the absolute rent or the difference between value and cost-price on I, II, III, IV, is *the same*, provided the *magnitude* of the capital invested in them, and therefore the amount of rent with a given rate of rent is the same, then this is to be understood in the following way: The (individual) value of the coal from I is higher than that from II and that from II is higher than that from III, because *one* ton from I contains more labour than one ton from II and one ton from II more than one ton from III. But since the *organic composition* of the capital is in all three cases the same, this difference does not affect the *individual absolute rent* yielded by I, II, III, For *if* the value of a ton from I is greater, so is its cost-price; it is only greater in the proportion that *more capital* of the same organic composition is employed for the production of *one* ton in I than in II and of one ton in II than in III. This difference in their va1ues is, therefore, exactly equal to the difference in their *cost-prices*, in other words to [the difference in] the relative amount of capital expended to produce one ton of coal in I, II and III. The variation in the magnitudes of value in the three groups does not, therefore, affect the *difference between value and cost-price* in the various classes. If the value is greater, then the *cost-price is greater in the same proportion*, for the value is only greater in proportion as more *capital* or labour is expended; hence the relation between value and cost-price remains the same, and hence *absolute rent* is the same.

But now let us go on to see what is the situation regarding *differential rent*.

Firstly, *less* capital is now being employed in the entire production of coal in II, III and IV. For the capital in IV is as great as the capital in I had been. Furthermore, half the capital employed in II is now withdrawn. The amount of rent on II therefore will at all events drop by a half. Only one change has taken place in capital investment, namely in II, because in IV the same amount of capital is invested as was previously invested in I. We have, moreover, assumed that capitals of the same size were invested in I, II and III, for example £ 100 in each, altogether £ 300; now therefore only £ 250 are invested in II, III and IV, or one-sixth of the capital has been withdrawn from the production of coal.

Moreover, the *market-value* of coal has fallen. We saw that I yielded R, II 2R and III 4R. Let us assume that the product of £ 100 on I was £ 120, of which R equalled £10 and £10 equalled the profit, then the market-value of II was £ 130 (£ 10 profit and £ 20 rent), and of III £ 150 (£ 10 profit and £ 40 rent). If the product of I was 60 tons (£ 2 per ton), then that of II was 65 tons and that of III was 75 tons and the total production was 60+65+75 tons=200 tons. Now 100 will produce as much in IV as the total product of I and half the product of II, namely, 60+32 $^1/_2$ tons=92 $^1/_2$ tons, which, according to the old market-value, would have cost £ 185 and since the profit was 10 would thus have yielded a rent of £ 75, amounting to 7 $^1/_2$ R, for the absolute rent equalled £ 10.

II, III and IV continue to yield the same number of tons, 200, since 32 $^1/_2$+75+92 $^1/_2$=200 tons.

But what is the position now, with regard to market-value and differential rents?

In order to answer this we must see what is the amount of the *absolute individual rent* of II, We assume that the absolute difference between *value and cost-price* in this sphere of production equals £ 10, i.e. equals the rent

yielded by the worst mine, although this is not necessary unless the *market-value* was absolutely determined by the value of I. ||569| If this was, indeed, the case, then the rent on I (if the coal from I were sold at its value) in fact represented the excess of value over its own cost-price and the general cost-price of commodities in this *sphere of production*. II would therefore be selling its products at their value, if it sold its tonnage (the 65 tons) at £ 120, i.e., the individual ton at £ $1\ ^{11}/_{13}$. That instead it sold them at £ 2 was only due to the excess of the market-value, as determined by I, over its individual value; it was due to the excess, not of its *value*, but of its *market-value over its cost-price*.

Moreover, on the assumption made, II now sells instead of 65, only $32\ ^{1}/_{2}$ tons, because a capital of only £ 50 instead of a capital of £ 100, is now invested in the mine.

II therefore now sells $32\ ^{1}/_{2}$ tons at £ 60. £ 10 on £ 50 [the capital advanced] is 20 per cent. Of the £ 60, 5 are profit and 5 rent.

Thus we have for II: Value of the product, £ $1\ ^{11}/_{13}$ per ton; number of tons is $32\ ^{1}/_{2}$; total value of the product is £ 60; *rent* is £ *5*. The rent has fallen from £ 20 to £ 5. If *the same amount* of capital were still employed, then it would only have fallen to £ 10. The rate has therefore only fallen by half. That is, it has fallen by the total difference that existed between the *market-value* as determined by I and its own value, the difference therefore that existed over and above the difference between its own value and cost-price. Its differential rent was £ 10; its rent is now £ 10, equal to its absolute rent. In II, therefore, with the reduction of the market-value to the *value* (of coal from II) differential rent has disappeared and consequently also the increased rate of rent which was doubled by this differential rent. Thus it has been reduced from £ 20 to £ 10; with this *given rate of rent*, however, the rent has been further reduced from

£ 10 to £ 5, because the capital invested in II has fallen by half.

Since the *market-value* is now determined by the value of II, i.e., by £ 1 $^{11}/_{13}$ per ton, the *market-value* of the 75 tons produced by III is now £ 138 $^{6}/_{13}$, of which £ 28 $^{6}/_{13}$ are rent. Previously the rent was £ 40. It has, therefore, fallen by £ 11 $^{7}/_{13}$. The difference between this rent and the absolute rent used to be [£] 30; now it only amounts to [£] 18 $^{6}/_{13}$ (for 18 $^{6}/_{13}$+10=28 $^{6}/_{13}$), Previously it was 4R, now it is only 2R+£ 8 $^{6}/_{13}$. As the amount of capital invested in III has remained the same, this fall is entirely due to the fall in the *rate of differential rent*, i.e., the fall in the excess of the market-value of III over its individual value. Previously, the whole amount of the rent in III was equal to the excess of the *higher market-value* over the price of production, now it is only equal to the excess of the *lower* market-value over the cost-price; the difference is thus coming closer to the absolute rent of III. With a capital of £ 100. III produces 75 tons, whose [individual] value is £ 120; one ton is therefore equal to £ 1 $^{3}/_{5}$. But III sold the ton at £ 2, the previous market-price, therefore, at £ $^{2}/_{5}$ more [than its individual value]. On 75 tons, this amounted to [£] $^{2}/_{5}$×75=£ 30, and this was in fact the differential rent of rent III, for the rent was [£] 40 ([£] 10 absolute and [£] 30 differential rent). Now, according to the new market-value, the ton is sold at only £ 1 $^{11}/_{13}$. How much above its [individual] value is this? [£] 1 $^{3}/_{5}$ =£ 1 $^{39}/_{65}$ and [£] 1 $^{11}/_{13}$=1 $^{55}/_{65}$ [1 $^{55}/_{65}$-1 $^{39}/_{65}$=$^{16}/_{65}$]. Thus the price at which the ton is sold is [£] $^{16}/_{65}$ above its [individual] value. On 75 tons this amounts to [£] 18 $^{6}/_{13}$, and this is exactly the differential rent, which is thus always equal to the number of tons multiplied by the excess of the market-value of the ton over the [individual] value of the ton. It now remains to work out the fall in rent by £ 11 $^{7}/_{13}$. The excess of the market-value over the value of III has fallen from $^{2}/_{5}$ of a £ per ton (when it was sold at £ 2) to $^{16}/_{65}$ per ton (at £

1 11/13), i.e., from 2/5=26/65 to 16/65, [which is by] 10/65. On 75 tons this amounts to 750/65= =150/13=11 7/13, and this is exactly the amount by which the rent in III has fallen.

||570| The 92 1/2 tons from IV, at £ 1 11/13 [per ton], cost £ 170 10/13. The rent here is £ 60 10/13 and the differential rent is £ 50 10/13.

If the 92 1/2 tons were sold at their value (£ 120), then 1 ton would cost £ 1 11/37, Instead it is being sold at £ 1 11/13. But £ 1 11/13=£ 1 407/481 and £ 1 11/37=£ 1 143/481. This makes the excess of the market-value of IV over its value equal to 264/481. On 92 1/2 tons this amounts to exactly £ 50 10/13, which is the differential rent of IV.

Now let us put these two cases together, under A and B.

A

Class	Capital	Absolute rent	Number of tons	Market-value per ton	Individual value per ton	Total value	Differential rent
	£	£		£	£	£	£
I	100	10	60	2	2	120	0
II	100	10	65	2	1 11/13	130	13
III	100	10	70	2	1 3/5	150	30
Total	300	30	200			400	40

The total number of tons = 200. Total absolute rent = £30.
Total differential rent = £40. Total rent = £70.

B

Class	capital	Absolute rent	Number of tons	Market-value	Individual value per ton	Total value	Differential rent

	£	£		per ton £	£	£	£
I	50	5	32 1/2	1 11/13	1 11/13	60	0
II	100	10	75	1 11/13	1 3/5	138 6/13	18 6/13
III	100	10	92 1/2	1 11/13	1 11/37	170 10/13	50 10/13
Total	250	25	200			369 3/13	69 3/13

Total capital = £250. Absolute rent = £25. Differential rent = £69 3/13. *Total rent* = £94 3/13. The total value of the 200 tons has fallen from £400 to £369 3/13.

These two tables give rise to some very important considerations.

First of all we see that the amount of *absolute rent* rises or falls proportionately to the capital invested in agriculture, that is, to the total amount of capital invested in I, II, III. The *rate of this absolute rent* is quite independent of the size of the capitals invested for it does not depend on the difference in the various types of land but is derived from the difference between value and cost-price; this latter difference however is itself determined by the *organic composition* of the agricultural capital, by the method of production and not by the land. In II B, the *amount* of the absolute rent falls from £ 10 to £ 5, because the capital has fallen from £ 100 to £ 50; half ||571| the capital has been withdrawn [from the land].

Before making any further observations on the two tables, let us construct some other tables. We saw that in B the market-value fell to £ 1 11/13 per ton. But [let us assume that] at this *value*, there is no necessity either for I A to disappear completely from the market, or for II B to employ only half the previous capital. Since in I, the rent is £ 10 out of the total value of the commodity of £

120, or $^{1}/_{12}$ of the total value, [this applies] equally to the value of the individual ton which is worth £ 2. £$^{2}/_{12}$, however, is £$^{1}/_{6}$ or 3 $^{1}/_{3}$s. (3 $^{1}/_{3}$s.X60=£10). The *cost-price* of a ton from I is thus [£ 2-3 $^{1}/_{3}$s.=] £ 1 16 $^{2}/_{3}$s. The [new] market-value is £ 1 $^{11}/_{13}$, or £ 1 16 $^{12}/_{13}$s. £ 1 16 $^{2}/_{3}$s., however, is £ 1 16s. 8d. or £ 1 16$^{26}/_{39}$s. Against this, £ 1 16$^{12}/_{13}$s. are £1 16 $^{36}/_{39}$s. or $^{10}/_{39}$s. more. This would be the rent per ton, at the new market-value and would amount to a total rent of 15 $^{5}/_{13}$s. for 60 tons. Therefore I put less than 1 per cent rent on the capital of £ 100. For I A to yield no rent at all, the market-value would have to fall to *its* cost-price, namely, to £ 1 16$^{2}/_{3}$s, or to £ 1 $^{5}/_{6}$ (or to £ 1$^{10}/_{12}$). In this case the rent on I A would have disappeared. It could, however, continue to be exploited with a profit of 10 per cent. This would only cease if the market-value were to fall further, below [the cost-price of] £ 1 $^{5}/_{6}$.

So far as II B is concerned, it has been assumed in Table *B* that half of the capital is withdrawn. But since the market-value of £ 1$^{11}/_{13}$ still yields a rent of 10 per cent, it will do so just as well on £ 100 as on £ 50. If, therefore, it is assumed that half the capital has been withdrawn, then only because under these circumstances, II B still yields an absolute rent of 10 per cent. For if II B had continued to produce 65 tons instead of 32 $^{1}/_{2}$, then the market would be over-supplied and the market-value of IV, which dominates the market, would fall to such an extent, that the capital investment in II B would have to be reduced in order to yield the absolute rent. It is however clear that, if the whole capital [of] £ 100 yields rent at 9 per cent, the sum total is greater than that yielded by [a capital of] £ 50 at 10 per cent. Thus if, according to the state of the market, a capital of only £50 were required in II to satisfy the demand, the rent would have to be forced down to £ 5. It would, in fact, fall even lower, if it is assumed that the 32$^{1}/_{2}$ tons cannot always be disposed of, i.e., if they were thrown out of the

market. The market-value would fall so low, that not only the rent on II B would disappear, but the profit would also be affected. Then capital would be withdrawn in order to diminish supply, until the correct point of £ 50 had been reached and then the market-value would have been re-established at £ 1 $^{11}/_{13}$, at which II B would again yield the absolute rent, but only on half the capital previously invested in it. In this instance too, the whole process would emanate from IV and III, who dominate the market.

But it does not by any means follow that if the market only absorbs 200 tons at £ 1 $^{11}/_{13}$ per ton, it will not absorb an additional 32 $^{1}/_{2}$ tons if the market-value falls, i.e., if the market-value of 232 $^{1}/_{2}$ tons is forced down through the pressure of 32 $^{1}/_{2}$ surplus tons on the market. The cost-price in II B is £ 1 $^{9}/_{13}$ or £ 1 13 $^{11}/_{13}$s. But the market-value is £ 1 ^{11}/13 or £ 1 16 $^{12}/_{13}$s. If the market-value fell to such an extent that I A no longer yielded a rent, i.e., [if the market-value fell] to the cost-price of I A, to £ 1 16 $^{2}/_{3}$s. or £ 1 $^{5}/_{6}$ or £ 1 $^{10}/_{12}$, then for II B to use his whole capital, demand would have to grow considerably; since I A could continue to be exploited, as it yields the normal profit. The market would have to absorb not 32 $^{1}/_{2}$ but 92 $^{1}/_{2}$ additional tons, 292 $^{1}/_{2}$ tons instead of 200, i.e. [almost] half as much again. This is a very significant increase. If a moderate increase is to take place, the market-value would have to fall to such an extent that I A is driven out of the market. That is, the market-price would have to fall below the cost-price of I A, i.e., below £ 1 $^{10}/_{12}$, say, to £ 1 $^{9}/_{12}$ or £ 1 15s. It would then still be well above the cost-price of II B.

We shall therefore add a further three tables to the tables *A* and *B*, namely, C and *D* and *E*. And we shall assume in C that the demand grows, that all classes of A and B can continue to produce, but at the market-value of B, at which I A still yields a rent. In D we assume that [the demand] is sufficient for I A to continue to yield the

normal profit but no longer a rent. And we shall assume in E that the price falls sufficiently to eliminate I A from the market ||572| but that the fall of the price simultaneously leads to the absorption of the 32 1/2 surplus tons from II B.

The case assumed in A and B is possible. It is possible that if the rent is reduced from £ 10 to barely 16s., I A would withdraw his land from this particular form of exploitation and let it out to another sphere of exploitation, in which it can yield a higher rent. But in this case, II B would be forced through the process described above, to withdraw half his capital, if the market did not expand upon the appearance of the new market-value.

C

Class	capital	Absolute rent	Number of tons	Market-value per ton	Individual value per ton	Total value	Rent	Differential rent
	£	£		£	£	£	£	£
I	100	10/13	60	1 11/13	2	110 10/13	10/13	-9 3/13
II	100	10	65	1 11/13	1 11/13	120		0
III	100	10	75	1 11/13	1 3/5	138 6/13		+18 6/13
IV	100	10	92 1/2	1 11/13	1 11/37	170 10/13		+50 10/13
Total	400	30 10/13	292 1/2			540		69 3/13

D

Class	capital	Absolute rent	Market-value per ton	Cost-price	Number of tons	Total value	Differential rent

	£	£	£	£		£	£
I	100	0	1 5/6	1 5/6	60	110	0(-)
II	100	9 1/6	1 5/6	[1 9/13]	65	119 1/6	-(latent)
III	100	10	1 5/6	[1 7/15]	75	137 1/2	+17 1/2
IV	100	10	1 5/6	[1 7/37]	92 1/2	169 1/2	+49 7/12
Total	400	29 1/6			292 1/2	536 1/4	67 1/12

E

Class	Capital	Absolute rent	Market-value per ton	Cost-price	Number of tons	Total value	Differential rent
	£	£	£	£		£	£
II	100	3 3/4	1 3/4	1 9/13	65	113 3/4	-(none)
III	100	10	1 3/4	[1 7/15]	75	131 1/4	+11 1/4
IV	100	10	1 3/4	[1 7/37]	92 1/2	161 7/8	+41 7/8
Total	300	23 3/4			232 1/2	406 7/8	53 1/8

||573| Now let us compile the tables A, B, C, D and E, but in the manner which should have been adopted from the outset. Capital, Total value, Total product, Market-value per ton, Individual value [per ton], Differential Value [per ton], Cost-Price [per ton], Absolute rent, Absolute rent in tons, Differential rent, Differential rent in tons, Total rent, And then the totals of all classes in each table.

||575| *Comment on the Table (p. 574)*

It is assumed that a capital of 100 (constant and variable capital) is laid out and that the labour it employs provides surplus-labour (unpaid labour) amounting to one-fifth of the capital advanced, or a surplus-value of $^{100}/_{5}$. If, therefore, the capital advanced equals £ 100, the value of the total product must be £ 120. Supposing furthermore that the average profit is 10 per cent, then £ 110 is the cost-price of total product, in the above example, of coal. With the given rate of surplus-value or surplus-labour, the £ 100 capital transforms itself into a value of £ 120, whether poor or rich mines are being exploited; in a word: The varying productivity of labour—whether this variation be due to varying natural conditions of labour or varying social conditions of labour or varying technological conditions—does not alter the fact that the value of the commodities equals the quantity of labour materialised in them.

Thus to say the value of the product created by the capital of £ 100 equals £ 120, simply means that the product contains the labour-time materialised in the £ 100 capital, plus one-sixth of labour-time which is unpaid but appropriated by the capitalist. The total value of the product equals £ 120, whether the capital of £ 100 produces 60 tons in one class of mines or 65, 75 or 92 $^{1}/_{2}$ in another. But clearly, the value of the individual part, be it measured by the quarter or yard etc., varies greatly according to the productivity. But to stick to our table (the same applies to every other mass of commodities brought about by capitalist production) the value of l ton equals £ 2, if the total product of the capital is 60 tons, i.e., 60 tons are worth £ 120 or represent labour-time equal to that which is materialised in £ 120. If the total product amounts to 65 tons, then the value of the individual ton is £ 11 $^{1}/_{13}$ or £ 1 16 $^{12}/_{13}$s., if it amounts to 75 tons, then the value of the individual ton is £ l $^{9}/_{15}$ or £ 1 12s.; finally, if it comes to 92 $^{1}/_{2}$ tons, then the value per ton is £ 1 $^{11}/_{37}$ or £ 1 5 $^{35}/_{37}$s. Because the total

mass of commodities or tons produced by the capital of £ 100 always has the same value, equal to £ 120, since it always represents the same total quantity of labour contained in £ 120, the value of the individual ton varies, according to whether the same value is represented in 60, 65, 75 or 92 1/2 tons, in other words, it varies with the different productivity of labour. It is this difference in the productivity of labour which causes the same quantity of labour to be represented sometimes in a smaller and sometimes in a larger total quantity of commodities, so that the individual part of this total contains now more, now less, of the absolute amount of labour expended, and, therefore, accordingly has sometimes a larger and sometimes a smaller value. This value of the individual ton, which varies according to whether the capital of £ 100 is invested in more fertile or less fertile mines, and therefore according to the different productivity of labour, figures in the table as the individual value of the individual ton.

Hence nothing could be further from the truth than the notion that when the value of the individual commodity falls with the rising productivity of labour, the total value of a product produced by a particular capital—for instance, £ 100— rises because of the increased mass of commodities in which it is [now] represented. For the value of the individual commodity only falls because the total value—the total quantity of labour expended—is represented by a larger quantity of use-values, of products. Hence a relatively smaller part of the total value or of the labour expended falls to the individual product and this only to the extent to which a smaller quantity of labour is absorbed in it or a smaller amount of the total value falls to its share.

Originally, we regarded the *individual commodity* as the result and direct product of a particular quantity of labour.

Now, that the commodity appears as the *product of capitalist* production, there is a formal change in this respect: The mass of use-values which has been produced represents a quantity of labour-time, which is equal to the quantity of labour-time contained in the capital (constant and variable) consumed in its production, plus the unpaid labour-time appropriated by the capitalist. If the labour-time contained in the capital, as expressed in terms of money, amounts to £ 100 and this capital of £ 100 comprises £40 laid out in wages, and if the surplus labour-time amounts to 50 per cent on the variable capital, in other words, the rate of surplus-value is 50 per cent, then the value of the total mass of commodities produced by the capital of £ 100 equals £ 120. As we have seen in the first part of this work, if the commodities are to circulate, their exchange-value must first be converted into a price, i.e., expressed in terms of money. Thus ||576| before the capitalist throws the commodities on to the market, he must first work out the price of the individual commodity, unless the total product is a single indivisible object, such as, for example, a house, in which the total capital is represented, a single commodity, whose price according to the assumption would then be £ 120, equal to the total value as expressed in terms of money. Price here equals monetary expression of value.

According to the varying productivity of labour the total value of £ 120 will be distributed over more or fewer products. Thus the value of the individual product will, accordingly, be proportionally equal to a larger or a smaller part of £ 120. The whole operation is quite simple. For example, if the total product equals 60 tons of coal, 60 tons are equal to £ 120 and 1 ton equals £ $^{120}/_{60}$, i.e., £2; if the product is 65 tons, the value of the individual ton equals £ $^{120}/_{65}$, i.e., £ 1 $^{11}/_{13}$ or £ 1 16 $^{12}/_{13}$s. (£ 1 16s. 1 $^{11}/_{13}$d). If the product equals 75 tons, the value of the individual ton is $^{120}/_{75}$, i.e., £ 1 12 s.; if it equals

92 1/2 tons, then it is £1 11/37, which is £ 1 5 35/37s. The value (price) of the individual commodity is thus equal to the total value of the product divided by the total number of products, which are measured according to the standard of measurement—such as tons, quarters, yards etc. appropriate to them as use-values.

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[Class]	Capital £	Number of tons	Total value £	Market value per ton	Individual-value per ton	Differential value per ton	Cost-price per ton	Absolute rent £	Differential rent	Absolute value in tons	Differential rent in tons	Rental £	Rent in Tons
A													
I	100	60	120	£2 [= 40 s.]	$2 [= 40 s.]	0	£1 5/6 = £1 16 2/3s.	10	0	5	0	10	5

III	100	65	130	£2 [= 40 s.]	£1 $^{11}/_{13}$ = £1 16^{1} $^{2}/_{13}$ s.	£ $^{2}/_{13}$ = $3^{1}/_{13}$s.	£ $1^{9}/_{13}$ = 1 1 $3^{11}/_{13}$s.	10	10	5	5	20	10
III	100	75	150	£2 [= 40 s.]	£1 $^{3}/_{5}$ = £ 1 12 s.	£$^{2}/_{5}$= 8s.	£ $1^{7}/_{15}$ = $9^{1}/_{3}$s.	10	30	5	15	40	20
Total B	300	200	400					30	40	15	20	70	35
III	500	$32^{1}/_{2}$	60	£1 $^{11}/_{13}$= £1 $16^{12}/_{13}$s.	£1 $^{11}/_{13}$ = £1 $16^{12}/_{13}$s.	0	£ $1^{9}/_{13}$ = £ 1 1 $3^{11}/_{13}$s.	5	0	$2^{17}/_{24}$	0	5	$2^{17}/_{24}$
III	100	75	138^{6}	£1 $^{11}/_{13}$= £1	£1 $^{3}/_{5}$ = £ 1	£ $^{16}/_{15}$ = 4^{12}	£ $1^{7}/_{15}$	10	$18^{6}/_{13}$	$5^{5}/_{12}$	10	28^{6}	15^{5}

			1/3	16 12/13s.	12 s.	13s.	= £19 1/3 s.					1/13	1/12
IV	100	92 1/2	170 10/13	£1 11/13= £116 12/13s.	£ 111/37 = £ 15 35/37 s.	£264/481 = 10 470/481s.	= £13 29/37 s.	10	50 10/13	5 5/12	27 1/2	60 10/13	32 11/12
Total C	250	200	369 3/13					25	69 3/13	13 13/24	37 1/2	94 3/13	51 1/24
I	100	60	110 10/13	£1 11/13= £116 12/13s.	£2 = 40 s.	-£2/13 = -3 1/13s.	£15/6 = £116 2/3 s.	£10/15 = 15 5/13 s.	0	5/12	0	£10/13 = 15 5/13 s.	5/12
II	100	65	120	£1 11/13= £1	£1 11/13 = £1	0	£19/3	10	0	5 5/12	0	10	5 5/12

				16 12/13s.	16 12/13s		= £1 13 11/13s.						
III	100	75	138 6/13	£1 11/13= £1 16 12/13s.	£1 3/5 = £1 12 s.	+£ 16/65 = +4 12/13 s.	£1 7/15 = £1 9 1/3 s.	10	18 6/13	5 5/12	10	28 6/13	155/12
IV	100	92 1/2	170 10/13	£1 11/13= £1 16 12/13s.	£1 11/37 = £1 5 35/37 s.	+£ 264/481 = +10 47 0/48 1s.	£1 7/15 = £1 13 29/37 s.	10	50 10/13	5 5/12	27 1/2	60 10/13	32 11/12
Total D	400	292 1/2	540					30 10/13	69 3/13	16 2/3	37 1/2	100	54 1/6
I	100	60	110	£1 5/6 = £1 16	£2 = 40 s.	-£1/6 = -3 1/3s.	£1 5/6 = £	0	0	0	0	0	0

				$^{2}/_{3}$s.			116 $^{2}/_{3}$ s.					
II	100	65	119 $^{1}/_{6}$	£1 $^{5}/_{6}$ = £1 16 $^{2}/_{3}$s.	£1 $^{11}/_{13}$ =£1 16 $^{12}/_{13}$s	-£ $^{1}/_{78}$ = - $^{10}/_{39}$s.	£1 $^{9}/_{3}$ = £1 13 $^{11}/_{13}$s.	9 $^{1}/_{6}$	0	5	0	9 $^{1}/_{6}$	5
III	100	75	137 $^{1}/_{2}$	£1 $^{5}/_{6}$ = £1 16 $^{2}/_{3}$s.	£1 $^{3}/_{5}$ = £1 12 s.	+£ $^{7}/_{32}$ = +4 $^{2}/_{3}$s.	£1 $^{7}/_{15}$ = £1 9 $^{1}/_{3}$ s.	10	17 $^{1}/_{2}$	5 $^{5}/_{11}$	9 $^{6}/_{11}$	27 $^{1}/_{2}$	15
IV	100	92 $^{1}/_{2}$	169 $^{7}/_{12}$	£1 $^{5}/_{6}$ = £1 16 $^{2}/_{3}$s.	£1 $^{11}/_{37}$ = £1 5 $^{35}/_{37}$ s.	+£ $^{119}/_{220}$ = +10 $^{80}/_{111}$ s.	£1 3 $^{29}/_{37}$ s.	10	49 $^{7}/_{12}$	5 $^{5}/_{11}$	27 $^{1}/_{22}$	59 $^{7}/_{12}$	32 $^{1}/_{2}$

Total	400	292 1/2	536 1/4				29 1/6	67 1/12	15 10/11	36 13/22	96 1/4	52 1/2		
E														
II	100	65	113 3/4	£1 3/4 = £1 15 s.	£1 11/13 = £1 16 12/13 s.	[-£5/52] = -1 121 3s.	£1 9/3 = £1 13 11/13 s.	3 3/4	0	2 1/7	0	3 3/4	2 1/7	
III	100	75	131 1/4	£1 3/4 = £1 15 s.	£1 3/5 = £1 12 s.	[+£3/20]= +3 s.	£1 7/15 = £1 9 1/3 s.	10	11 1/4	5 5/7	6 3/7	21 1/4	12 1/7	
IV	100	92 1/2	161 7/8	£1 3/4 = £1 15 s.	£1 11/37 = £1 5 35/37 s.	[+£73/138] = +9 2/37 s.	£1 7/37 = £1 3 29/37 s.	10	41 7/8	5 5/7	23 13/14	51 7/8	29 9/14	
Total	300	232 1/2	406 7/8					23 3/4	53 1/8	15 10/11	30 5/14	76 7/8	43 13/14	

If, therefore, the price of the individual commodity equals the total value of the mass of commodities produced by a capital of £100, divided by the total number of commodities, then the total value equals the price of the individual commodity multiplied by the total number of individual commodities or it equals the price of a definite quantity of individual commodities

multiplied by the total amount of commodities, measured by this standard of measurement. Furthermore: The total value consists of the value of the capital advanced to production plus the surplus-value; that is of the labour-time contained in the capital advanced plus the surplus labour-time or unpaid labour-time appropriated by the capital. Thus the surplus-value contained in each individual part of the commodity is proportional to its value. In the same way as the £ 120 is distributed among 60, 65, 75 or 92 $^{1}/_{2}$ tons, so the £ 20 surplus-value is distributed among them. When the number of tons is 60, and therefore the value of the individual ton equals $^{120}/_{60}$, which is £ 2 or 40s., then one-sixth of this 40s. or £ 2, that is, 6 $^{2}/_{3}$s., is the share of the surplus-value which falls to the individual ton; the proportion of surplus-value in the ton which costs £ 2 is the same as in the 60 which cost £ 120. The [ratio of] surplus-value to value remains the same in the price of the individual commodity as in the total value of the mass of commodities. In the above example, the total surplus-value in each individual ton is $^{20}/_{60}=^{2}/_{6}=^{1}/_{3}$ of [20], which is equal to $^{1}/_{6}$ of 40 as above. Hence the surplus-value of the single ton multiplied by 60 is equal to the total surplus-value which the capital has produced. If the portion of value which falls to the individual product—the corresponding part of the total value—is smaller because of the larger number of products, i.e., because of the greater productivity of labour, then the portion of surplus-value which falls to it, the corresponding part of the total surplus-value which adheres to it, is also smaller. But this does not affect the ratio of the surplus-value, of the newly-created value, to the value advanced and merely reproduced. Although, as we have seen, the productivity of labour does not affect the total value of the product, it may however increase the surplus-value, if the product enters into the consumption of the worker; then the falling price of the individual commodities or, which is the same, of a given quantity of commodities, may reduce the *normal wage or*, amounts

to the same, the *value of the labour-power*. In so far as the greater productivity of labour creates relative surplus-value, it increases not the total value of the product, but that part of this total value which represents surplus-value, i.e., unpaid labour. Although, therefore, with greater productivity of labour, a smaller portion of value falls to the individual product—because the total mass of commodities which represents this value has grown—and thus the price of the individual product falls, that part of this price which represents *surplus-value*, nevertheless, rises under the above-mentioned circumstances, and, therefore, the proportion of surplus-value to reproduced value grows (actually here one should still refer to variable capital, for profit has not yet been mentioned). But this is only the case because, as a result of the increased productivity of labour, the surplus-value has grown within the *total value*. The same factor—the increased productivity of labour—which enables a larger mass of products to contain the same quantity of labour thus lowering the value of a given part of this mass or the *price* of the individual commodity, reduces the value of the labour-power, therefore increases the surplus or unpaid labour contained in the *value of the total product* and hence in the *price* of the individual commodity. Although thus the *price of the individual commodity* falls, although the *total quantity of labour contained in it*, and therefore its value, falls, the proportion of surplus-value, which is a component part of this value, increases. In other words, the smaller total quantity ||577| of labour contained in the individual commodity comprises a *greater quantity of unpaid labour* than previously, when labour was less productive, when the price of the individual commodity was therefore higher, and the total quantity of labour contained in the individual commodity greater. Although in the present case one ton contains less labour and is therefore cheaper, it contains more surplus-labour and therefore yields more surplus-value.

Since in competition everything appears in a false form, upside down, the individual capitalist imagines 1. that he [has] reduced his profit on the individual commodity by reducing its price, but that he makes a greater profit *because of the increased* mass [of commodities] (here a further confusion is caused by the greater amount of profit which is derived from the increase in capital employed, even with a lower rate of profit); 2. that he fixes the price of the individual commodity and by multiplication determines the total value of the product whereas the original procedure is division and multiplication is only correct as a derivative method based on that division. The vulgar economist in fact does nothing but translate the queer notions of the capitalists who are caught up in competition into seemingly more theoretical language and seeks to build up a justification of these notions.

Now to return to our table.

The *total value* of the product or of the quantity of commodities created by a capital of £100, equals £ 120, however great or small—according to the varying degree of the productivity of labour—the quantity of commodities may be. The *cost-price* of this total product, whatever its size, equals £ 110 if, as has been assumed, the average profit is 10 per cent. The excess in *value* of the total product, whatever its size, equals £ 10, which is one-twelfth of the total value or one-tenth of the capital advanced. This £ 10, the excess of *value* over the *cost-price* of the total product, constitutes the *rent*. It is evidently quite independent of the varying productivity of labour resulting from the different degrees of natural fertility of the mines, types of soil, in short, of the natural element in which the capital of £ 100 has been employed, for those different degrees in the productivity of the labour employed, arising from the different degrees of fertility of the natural agent, do not prevent the total product from having a value of £ 120, a cost-price of £ 110,

and therefore an excess of value over cost-price of £ 10. All that the *competition between capitals* can bring about, is that the *cost-price* of the commodities which a capitalist can produce with £ 100 in coal-mining, this particular sphere of production, is equal to £ 110. But competition cannot compel the capitalist to sell the product at £ 110 which is worth £ 120—although such compulsion exists in other industries. Because the landlord steps in and lays his hands on the £ 10. Hence I call this rent the *absolute rent*. Accordingly it always remains *the same* in the table, however the fertility of the coal-mines and hence the productivity of labour may change. But, because of the different degrees of fertility of the mines and thus of the productivity of labour, it is not always expressed in the *same number of tons*. For, according to the varying productivity of labour, the quantity of labour contained in £ 10 represents more or less use-values, more or less tons. Whether with the variation in degrees of fertility, this *absolute rent* is always paid in full or only in part, will be seen in the further analysis of the table.

There is furthermore on the market coal produced in mines of different productivity. Starting with the lowest degree of productivity, I have called these, I, II, III, IV. Thus, for instance, the first class produces 60 tons with a capital of £ 100, the second class produces 65 tons etc. Capital of the same size— £ 100, of the same organic composition, within the same sphere of production—does not have the same productivity here, because the degree of productivity of labour varies according to the degree of productivity of the mine, type of soil, in short of the natural agent. But competition establishes one *market-value* for these products, which have varying *individual values*. This market-value itself can *never* be *greater* than the individual value of the product of the *least fertile* class. If it were higher, then this would only show that the *market-price* stood above

the *market-value*. But the market-value must represent real *value*. As regards products of separate classes, it is quite possible, that their [individual] *value* is above or below the market-value. If it is *above* the market-value, the difference between the market-value and their cost-price is *smaller* than the difference between their individual value and their cost-price. But as the absolute rent equals the difference between their individual ||578| value and their cost-price, the market-value cannot, in this case, yield the *entire absolute rent* for these products. If the market-value sank down to *their* cost-price, it would yield *no rent* for them *at all*. They could pay no rent, since rent is only the difference between value and cost-price, and for them, individually, this difference would have disappeared, because of the [fall in the] market-value. In this case, the difference between the market-value and their individual value is *negative*, that is, the market-value differs from their individual value by a *negative amount*. The difference between market-value and individual value in general I call *differential value*. Commodities belonging to the category described here have a minus sign in front of their differential value.

If, on the other hand, the *individual value* of the products of a class of mines (class of land) is *below* the market-value, then the *market-value* is *a b o v e* their individual value. The value or market-value prevailing in their sphere of production thus yields an *excess above* their individual value. If, for example, the market-value of a ton is £ 2, and the individual value of a ton is £ 1 12s., then its differential value is 8s. And since in the class in which the individual value of a ton is £ 1 12s. the capital of £ 100 produces 75 tons, the total differential value of these 75 tons is 8 s.´75=£ 30. This excess of the market-value for the total product of this class *over* the individual value of its product, which is due to the relatively greater fertility of the soil or the mine, forms

the *differential rent*, since the cost-price for the capital remains the same as before. This differential rent is greater or smaller, according to the greater or smaller excess of the *market-value* over the *individual value*. This excess in turn is greater or smaller, according to the *relatively greater or smaller fertility* of the class of mine or land to which this product belongs, compared with the less fertile class whose product determines the market-value.

Finally, the *individual cost-price* of the products is different in the different classes. For instance, for the class in which a capital of £ 100 yields 75 tons the cost-price of the individual commodity would be £ 1 9 1/3 s., since the total value is £ 120 and the *cost-price* £ 110, and if the market-value were equal to the individual value in this class, i.e., £ 1 12 s., then the 75 tons sold at £ 120 would yield a rent of £ 10, while £ 110 would represent their cost-price.

But of course, the *individual cost-price* of a single ton varies according to the number of tons in which the capital of £ 100 is represented, or according to the *individual value* of the individual products of the various classes. If, for example, the capital of £ 100 produces 60 tons, then the value per ton is £ 2 and its cost-price £ 1 16 2/3 s.; 55 tons would be equal to £ 110 or to the cost-price of the total product. If, however, the £ 100 capital produces 75 tons, then the value per ton is £ 1 12s., its cost-price £ 1 9 1/3s., and 68 3/4 tons of the total product would cost £ 110 or would replace the cost-price. The individual *cost-price*, i.e., the *cost-price of the individual ton*, varies in the different classes in the same proportion as the *individual value*.

It now becomes evident from all the five tables, that *absolute rent* always equals the excess of the value of the commodity over its own cost-price. The *differential rent*, on the other hand, is equal to the excess of the

market-value over its individual value. The total rent, if there is a differential rent (apart from the absolute rent), is equal to the excess of the market-value over the individual value plus the excess of the individual value over the cost-price, or the excess of the market-value over the individual cost-price.

Because here the purpose is only to set forth the general law of rent as an illustration of my theory of value and cost-prices—since I do not intend to give a detailed exposition of rent ||579| till dealing with landed property *ex professo*—I have removed all those factors which complicate the matter: namely the *influence of the location* of the mines or types of land; different degree of productivity of different amounts of capital applied to *the same* mine or *the same* type of land; the interrelationship of rents yielded by different lines of production within the same sphere of production, for example, by different branches of agriculture; the interrelationship of rents yielded by different branches of production which are, however, interchangeable, such as, for instance, when land is withdrawn from agriculture in order to be used for building houses, etc. All this does not belong here.

[3. Analysis of the Tables]

Now for a consideration of the tables. They show how the general law explains a great multiplicity of combinations, while Ricardo, because he had a false conception of the general law of rent, perceived only one side of differential rent and therefore wanted to reduce the great multiplicity of phenomena to one single case by means of forcible abstraction. The tables are not intended to show all the combinations but only those which are most important, particularly for our specific purpose.

[a)] Table A [The Relation Between Market-Value and Individual Value in the Various Classes]

In Table *A*, the market-value of a ton of coal is determined by the individual value of a ton in class I, where the mine is least fertile, hence the productivity of labour is the lowest, hence the mass of products yielded by the capital investment of £ 100 is the smallest and, therefore, the price of the individual product (the price as determined by its value) is the highest.

It is assumed that the market absorbs 200 tons, neither more nor less.

The *market-value* cannot be *above* the [individual] value of a ton in I, i.e., of that commodity which is produced under the 1east favourable conditions of production, II and III sell the ton above its *individual value* because their conditions of production are more favourable than those of other commodities produced within *the same* sphere, this does not, therefore, offend against the law of value. On the other hand, the market-value could only be above the value of a ton in I, if the product of I were sold *above* its value, *quite* regardless of market-value. A difference between market-value and [individual] value arises in general not because products are sold absolutely *above* their value, but only because the value of the individual product may be different from the value of the product of a whole sphere; in other words because the *labour-time necessary* to supply the total product—in this case 200 tons—may differ from the labour-time which produces some of the tons—in this case those from II and III—in short, because the *total product* supplied has been produced by labour of varying degrees of productivity. The difference between the market-value and the individual value of a product can

therefore only be due to the fact that the definite quantities of labour with which different parts of the total product are manufactured have different *degrees of productivity*. It can never be due to the value being determined *irrespective* of the quantity of labour altogether employed in this sphere. The market-value could be above £ 2 per ton, only if I, on the whole, quite apart from its relation to II and III, were to sell its product *above* its value. In this case the *market-price* would be above the *market-value* because of the state of the market, because of demand and supply. But the market-value which concerns us here—and which here is assumed to be equal to the market-price—cannot rise *above itself*.

The market-value here *equals* the value of I, which, more-over, supplies three-tenths of the entire product on the market. since II and III only supply sufficient amounts to meet the total demand, i.e., to satisfy the additional demand over and above that which is supplied by I, II and III have no cause, therefore, to sell below £ 2 since the entire product can be sold at £2. They cannot ||580| sell *above* £ 2 because I sells at £ 2 per ton. This law, that the *market-value* cannot be *above* the individual *value* of that product which is produced under the *worst conditions of production* but provides a part of the necessary supply, Ricardo distorts into the assertion that the market-value cannot fall *below* the value of that product and must therefore always be determined by it. We shall see later how wrong this is.

Because the market-value of a ton coincides with the individual value of a ton in I, *the rent* it yields represents the absolute excess of the value over its cost-price, the *absolute rent*, which is £ 10. II yields a differential rent of £ 10 and III of £ 30, because the market-value, which is determined by I, yields an excess of £ 10 for II and of £ 30 for III, over their *individual value* and therefore over the absolute rent of £ 10, which represents

the excess of the individual value over the cost-price. Hence II yields a total rent of £ 20 and III of £ 40, because the market-value yields an excess over their cost-price of £ 20 and £40 respectively.

We shall assume that the transition is from I, the least fertile mine, to the more fertile II, and from this to the yet more fertile mine III, It is true that II and III are more fertile than I, but they satisfy only seven-tenths of the total demand and, as we have just explained, can therefore sell their product at £ 2, although its value is only £ 1 16 $^{12}/_{13}$s. and £ 1 12s. respectively. It is clear that when the particular quantity required to satisfy demand is supplied, and gradation takes place in the productivity of labour which satisfies the various portions of this demand, whether the transition is in one direction or the other, in both cases the market-value of the more fertile classes will rise *above their individual value;* in one case because they *find* that the market-value is *determined* by the unfertile class and the additional supply provided by them is not great enough to occasion any change in the market-value as determined by class I; in the other case, because the market-value originally determined by them—determined by class III or II—is now determined by class I, which provides the additional supply required by the market and can only meet this at a higher value, which now determines the market-value.

[b) The Connection Between Ricardo's Theory of Rent and the Conception of Falling Productivity in Agriculture. Changes in the Rate of Absolute Rent and Their Relation to the Changes in the Rate of Profit]

In the case under consideration, for example, Ricardo would say: We start out from class III. The additional

supply will, in the first place, come from II. Finally, the last additional supply—demanded by the market—comes from I, and since I can provide the additional supply of 60 tons only at £ 120, that is at £ 2 per ton, and since this supply is needed, the market-value of a ton which was originally £ 1 12 s. and later £ 1 16 $^{12}/_{13}$ s., now rises to £ 2. But, on the other hand, it is equally true, that if we start out from I, which satisfied the demand for 60 tons at £2, then, however, the additional supply is provided by II, the product of II is sold at the market-value of £ 2 although the individual value of it is only £ 1 16 $^{12}/_{13}$ s., for it is still only possible to supply the 125 tons required if I provides 60 tons at a value of £ 2 per ton. The same applies, if a new additional supply of 75 tons is required, but III provides *only* 75 tons, only supplies the additional demand, and therefore, as before, 60 tons have to be supplied by I at £ 2. Had I supplied the whole demand of 200 tons, they would have been sold at £ 400. And this is what they are [sold] at now, because II and III do not sell at the price at which they can satisfy the additional demand for 140 tons, ||XII-581| but at the price at which I, which only supplies three-tenths of the product, could satisfy it. The entire product required, 200 tons, is in this case sold at £ 2 per ton, because three-tenths of it can only be supplied at a value of £ 2 per ton, irrespective of whether the additional portions of the demand were met by proceeding from III via II to I or from I via II to III.

Ricardo says: If III and II are the starting-points, their market-value must rise to the value (cost-price with him) of I, because the three—tenths supplied by I are required to meet the demand and the decisive point here is therefore the *required volume of the product* and not the individual value of particular portions of it. But it is equally true that the three-tenths from I are just as essential as before when I is the starting-point and II and III *only* provide the additional supply. If, therefore, I determined the market-value in the descending line, it

determines it in the ascending line *for the same reasons*. Table *A* thus shows us the incorrectness of the Ricardian concept that differential rent *depends* on the diminishing productivity of labour, on the movement from the more productive mine or land to the less productive. It is just as compatible with the *reverse* process and hence with the growing productivity of labour. Whether the one or the other takes place has nothing to do with the nature and existence of differential rent but is a *historical* question. In reality, the ascending and descending lines will cut across one another, the additional demand will sometimes be supplied by going over to more, sometimes to less fertile types of land, mine or natural agent. [In this it is] always supposed that the supply provided by the natural agent of a new, different class—be it more fertile or less fertile—only equals the additional demand and does not, therefore, bring about a change in the *relation between demand and supply*. Hence it can only bring about *a change in the market-value* itself, if the supply, can only be made available at higher cost not however if it can be made available at lower cost.

Table A thus reveals to us from the outset the falseness of this fundamental assumption of Ricardo's, which, as Anderson shows, was not required, even on the basis of a wrong conception of absolute rent.

If production proceeds in a descending line, from III to Il and from II to I with recourse to natural agents of a gradually decreasing fertility—then III, in which a capital of 100 has been invested, will at first sell its commodities at their value, at £ 120. This, since it produces 75 tons, will amount to £ 1 12s. per ton. If an additional supply of 65 is then required, II, which invests a capital of 100, will similarly sell its product at a value of £ *120*. This amounts to £ 1 $16^{12}/_{13}$s. per ton. And if, finally, an additional supply of 60 tons were required, which can only be provided by

I, then it too will sell its product at its value of £ *120*, which amounts to £ 2 per ton. In this process III would yield a differential rent of £ 18 $^{6}/_{13}$ as soon as II came on the market, whereas previously it only yielded the absolute rent of £ 10. II would yield a differential rent of £ 10 as soon as I came into the picture and differential rent of III would then rise to £30.

Descending from III to I, Ricardo discovers that I does not yield a rent, because in considering III he started out from the assumption that no absolute rent exists.

There is indeed a difference between the ascending and descending line. If the passage is from I to III, so that II and III only provide the additional supply, then the market-value remains equal to the individual value of I which is £ 2. And if, as the supposition is here, the average profit is 10 per cent, then it can be assumed that the price of coal ([or] price of wheat—a quarter of wheat etc. can always be substituted for a ton of coal) will have entered into its calculation, since coal enters into the consumption of the worker as a means of subsistence as well as figuring as an auxiliary material of considerable importance in constant capital. It can therefore also be assumed that the rate of surplus-value would have been higher and therefore the surplus-value itself greater, hence also the *rate of profit* higher than 10 per cent, if I [were] more productive or the value of the ton had been *below £* 2. This, however, would be the case if III was the starting-point. The [market]-value of the ton of coal was then only £ 1 12 s.; when ||582| II entered, it rose to £1 16 $^{12}/_{13}$s. and finally when I appeared, it rose to £ 2. It can thus be assumed that when only III was being worked—all other circumstances, length of surplus labour-time and other conditions of production etc. being taken as constant and unchanged—the rate of profit was higher (the *rate of surplus-value* was higher because one element of the wage was cheaper; because of the higher rate of surplus-value, the mass of surplus-value, and

therefore also the rate of profit, was higher; in addition however—with the surplus-value thus modified—the rate of profit was higher because an element of cost in the constant capital was lower). The rate of profit became lower with the appearance of II and finally sank to 10 per cent, as the lowest level, when I appeared. In this case therefore one would have to assume that (regardless of the data) for instance the rate of profit was 12 per cent when only III was being worked; that it sank to 11 per cent when II came into play and finally to 10 per cent when I entered into it. In this case the absolute rent would have been £8 with III because the cost-price would have been £ 112; it would have become £ 9 as soon as II came into play because now the cost-price would have been £ 111 and it would finally have been raised to £ 10 because the cost-price would have fallen to £ 110. Here then a change in the rate of *absolute rent* itself would have taken place and this in inverse ratio to the change in the *rate of profit*. The rate of rent would have progressively grown *because* the rate of profit had progressively fallen. The latter would, however, have fallen because of the decreasing productivity of labour in the mines, in agriculture, etc. and the corresponding increase in the price of the means of subsistence and auxiliary materials.

[c)] Observations on the Influence of the Change in the Value of the Means of Subsistence and of Raw Material (Hence also the Value of Machinery) on the Organic Composition of Capital

In this case the *rate of rent* rose *because* the *rate of profit* fell. Now did it fall because there was a change in the organic composition of the capital? If the average composition of the capital was £ 80*c*+£20*v*, did this composition remain the same? It is assumed that the

normal working-day remains the same. Otherwise the influence of the increased price of the means of subsistence could be neutralised. We must differentiate between two factors here. Firstly, an increase may occur in the price of the means of subsistence, hence reduction in surplus-labour and surplus-value. Secondly, constant capital may become more expensive because, as in the case of coal, the auxiliary material, or in the case of wheat, another element of constant capital, namely seeds, rises in value or also, [because] due to the increased price of wheat, the cost-price of other raw produce (raw material) may rise. Finally, if the product was iron, copper etc., the raw material of certain branches of industry and the raw material of machinery (including containers) of all branches of industry would rise.

On the one hand it is assumed that no change has taken place in the organic composition of capital; in other words that no change has taken place in the manner of production decreasing or increasing the amount of living labour employed in proportion to the amount of constant capital employed. *The same number of workers* as before is required (the limits of the normal working-day remaining the same) in order to work up the same volume of raw material with the same amount of machinery etc., or, where there is no raw material, to set into motion the same amount of machinery, tools, etc. Besides this first aspect of the organic composition of capital, however, a second aspect has to be considered, namely, the change in the *value of* the elements of capital although as use-values they may be employed in the same portions. Here again we must distinguish:

The[b] *change in value* affects both elements—variable and constant—equally. This may *never* occur in practice. A rise in the price of certain agricultural products such as wheat etc., raises the (necessary) wage and the raw material (for instance seeds). A rise in coal prices raises the necessary wage and the auxiliary

material of most industries. While in the first case the rise in wages occurs in all branches of industry, that in raw materials occurs only in some. With coal, the proportion in which it enters into wages is lower than that in which it enters into production. As regards *total capital*, the change in the value of coal and wheat is thus hardly likely to affect both elements of capital *equally*. But let us suppose this to be the case.

Let the value of the product of a capital £ 80*c*+£ 20*v* be £ 120. *Considering capital as a whole*, the *value* of the product and its *cost-price* coincide, for the difference is equalised out for the aggregate capital [of the country]. The rise in value of an article such as coal which, according to the assumption, enters into both component parts of capital in *equal proportions*, brings about a rise in cost by one-tenth for both elements. Thus £ 80c would now only buy as many commodities as could previously be bought with [approximately] £70c and with £20v only as many workers could be paid as previously with [approximately] £18v. Or, in order to continue production on the old scale, [approximately] £ 90c and £ 22v would now have to be laid out. The value of the product, as previously, is now £ 120, of which, however, the outlay amounts to £ 112 (£90 constant and £22 variable). Thus the profit is £8 and on £ 112 this works out at $^{1}/_{14}$, which is 7 $^{1}/_{7}$ per cent. Hence the value of the product from £ 100 capital advanced is now equal to £ 107 $^{1}/_{7}$.

What is the ratio in which *c* and *v* now enter into this new capital? Previously the ratio *v:c* was as 20:80, as 1:4; now it is as 22:90 [or] as 11:45. $^{1}/_{4}=^{45}/_{180}$; $^{11}/_{45}=^{44}/_{180}$. That means that variable capital has decreased by $^{1}/_{180}$ ||583| as against constant capital. In keeping with the assumption that the increase in price of coal etc. has *proportionally the same* effect on both parts of the capital, we must put it as £ 88c+£ 22v. For the value of the product is £ 120; from this has to be deducted an

outlay of £ 88+£ 22=£ 110. This leaves a profit of £ 10. 22:88=20:80. The *ratio* of *c* to *v* would have remained *the same* as in the old capital. As before, the ratio would be *v:c* as 1:4. But £ 10 profit on £ 110 is $^{1}/_{11}$, which is 9 $^{1}/_{11}$ per cent. If production is to be continued on the same scale, £ 110 capital will have to be invested instead of £ 100, and the value of the product [would continue to be] £ 120. The composition of a capital of £ 100 however would be £ 80c+£ 20v, the value of the product being £ 109 $^{1}/_{11}$.

If, in the above case, the value £ 80c had remained constant and only *v* had varied, i.e., £ 22v instead of £ 20v, then the previous ratio having been 20:80 or 10:40, it would now be 22:80 or 11:40. Now if this change had taken place, then [the capital would amount to] £ 80c+£ 22v [and the] value of the product would be £ 120; therefore the outlay [would be] £ 102 and the profit £ 18 i.e., 17 $^{33}/_{51}$ per cent. [But] 22:18 is as 21 $^{29}/_{51}$:17 $^{33}/_{51}$. If £ 22v capital need to be laid out in wages, in order to set in motion a constant capital of £ 80 in value, then £ 21 $^{29}/_{51}$ are required in order to move a constant capital of £ 78 $^{22}/_{51}$ in value. According to this ratio, only £ 78 $^{22}/_{51}$ would be laid out in machinery and raw material from a capital of £ 100; £ 21 $^{29}/_{51}$ would have to go to wages, whereas previously £ 80 was spent on raw material etc. and only £ 20 on wages. The value of the product is now £ 117 $^{33}/_{51}$. And the composition of the capital: £ 78$^{22}/_{51}$c+£ 21 $^{29}/_{51}$v. But £ 21 $^{29}/_{51}$+£ 17 $^{33}/_{51}$=£ 39 $^{11}/_{51}$. Under the previous composition [of capital], the total labour put in was equal to 40; now it is 39 $^{11}/_{51}$ or less by $^{40}/_{51}$, not *because* the constant capital has altered in value, but *because* there is less constant capital to be worked on, hence a capital of £ 100 can set in motion a little less labour than before, although more dearly paid for.

If, therefore, a change in an element of cost, here a rise in price—a rise in value—only alters (the necessary) wage,

then the following takes place: Firstly, the rate of surplus-value falls; secondly, with a given capital, less constant capital, less raw material and machinery, can be employed. The absolute amount of this part of the capital decreases in proportion to the variable capital, and provided other conditions *remain the same*, this must always bring about a rise in the rate of profit (if the value of constant capital remains the same). The [physical] *volume* of the constant capital decreases although its *value* remains *the same*. But the *rate of surplus-value* decreases and also the [amount of] *surplus-value* itself, because the falling rate is not accompanied by an increase in the number of workers employed. The rate of surplus-value—of surplus-labour—falls more than the ratio of variable to constant capital. For *the same number of workers* as before, that is the same absolute quantity of labour, needs to be employed in order to set in motion *the same amount of constant capital*. Of this absolute quantity of labour more, however, is necessary labour and less of it is surplus-labour. Thus *the same quantity of labour* must be paid for more dearly. Of *the same* capital—£ 100 for instance—less can thus be laid out in constant capital, since more has to be laid out in variable capital to set in motion a smaller constant capital. The fall in the rate of surplus-value in this case is not connected with an increase in the absolute quantity of labour which a particular capital employs, or with the increase in the number of workers employed by it. The [amount of] surplus-value itself cannot therefore rise here, although the rate of surplus-value falls.

Provided, therefore, that the organic composition of the capital remains the same, in so far as its physical component parts regarded as use-values are concerned; that is, if change in the composition of the capital is not due to a change in the *method of production* within the sphere in which the capital is invested, but only to a rise

in the *value of the labour-power* and hence to a rise in the necessary wage, which is equal to a decrease in surplus-labour or the rate of surplus-value, which in this case can be neither partly nor wholly neutralised by an increase in the number of workers employed by a capital of given size—for instance £ 100—then the fall in the rate of profit is simply due to the fall in surplus-value itself. If the method of production and the ratio between the amounts of immediate and accumulated labour used remain constant, this same cause then gives rise to the change in the organic composition of capital—a change which is only due to the fact that the *value (the proportional value) of the amounts employed* has changed. The same capital employs ||584| less immediate labour proportionately as it employs less constant capital, but it pays more for this smaller amount of labour. It can therefore only employ less constant capital because the smaller amount of labour which sets in motion this smaller amount of constant capital, absorbs a greater part of the total capital. In order, for example, to set in motion £ 78 of constant capital, it must lay out £ 22 in variable capital, while previously £ 20v sufficed to set in motion £80c.

This therefore happens when an increase in the price of a product subjected to landed property, only affects wages. The converse would result from the product becoming cheaper.

But now let us take the case assumed above. The increased price of the agricultural product is supposed to affect constant and variable capital *proportionately to the same degree*. According to the assumption, therefore, there is no change in the *organic composition of the capital*. Firstly, no *change in the method of production*. The same absolute amount of immediate labour sets in motion the same amount of *accumulated labour* as before. The ratio of the amounts remains the same. Secondly, no *change in the proportion of value* as

between accumulated and immediate labour. If the value of one rises or falls, so does that of the other in the same *proportion* to its relative size, which thus remains unchanged. But previously [we had] : £ 80c+£ 20v; *value of the product* £ 120. Now £ 88c+£ 22v, value of the product [likewise] £ 120. This yields £ 10 on £ 110 or 9 $^{1}/_{11}$ per cent [profit; for a capital of] £ 80c+£ 20v therefore the value of [the product is] £ 109 $^{1}/_{11}$,

Previously we had:

Constant Capital	Variable capital	Surplus-value	Rate of profit	Rate of surplus-value
£80	£20	£20	20 per cent	100 per cent

Now we have:

Constant Capital	Variable capital	Surplus-value	Rate of profit	Rate of surplus-value
£80	£20	£9 $^{1}/_{11}$	9 $^{1}/_{11}$ per cent	45 $^{5}/_{11}$ per cent

£ 80c represents less raw material etc. here and £ 20v less absolute labour in the same proportion. The raw material etc. has become dearer and [a capital of] £ 80 therefore buys a smaller quantity of raw material etc.; thus, because the *method of production* has remained *the same*, it requires less immediate labour. But the smaller quantity of immediate labour costs as much as the larger quantity of immediate labour did before, and it has become dearer exactly to the same extent as the raw material etc, and has therefore decreased in the same proportion. If, therefore, the surplus-value had remained the same, then the rate of profit would have sunk in the same proportion in which the raw material etc. had become dearer and in which the ratio of the value of the variable to the constant capital had changed. The rate of

surplus-value however has not remained the same, but has changed in the same proportion as the value of the variable capital has grown. Let us take [another] example.

The value of a pound of cotton has gone up from 1s. to 2s. Previously, £ 80 (we take machinery etc. here as equal to nil) could buy 1,600 lbs. Now £80 will only buy 800 lbs. Previously, in order to spin 1,600 lbs., £ 20 [were] required to pay the wages of, say, 20 workers. In order to spin the 800 lbs, only 10 [workers are needed], since the method of production has remained *the same*. The 10 had previously cost £ 10, now they cost £ 20, just as the 800 lbs. would previously have cost £ 40, and now cost £ 80. Assume now that the profit was previously 20 per cent. This would involve:

	Constant capital	Variable capital	Surplus-value	Rate of surplus-value	Rate of profit	Product	Price per lb. of yarn
I	£80=1,600 lbs. cotton	£20=20 workers	£20	100per cent	20 per cent	1600 lbs. yarn	1s. 6d.
II	£80=800 lbs. cotton	£20=10 workers	£10	50 per cent	10 per cent	800 lbs. yarn	2s. 9d

For if the surplus-value created by 20 workers is 20, then that created by 10 is 10; in order to produce it, however, £ 20 needs to be paid out, as before, whereas according to the earlier relationship, only 10 was paid. The value of the product, of the ||585| lb. of yarn, must in this case rise at any rate, because it contains more labour, accumulated labour (in the cot-ton which enters into it) and immediate labour.

If only cotton had risen and wages had remained the same, then the 800 lbs. of cotton would also have been spun by 10 workers. But these 10 workers would only have cost £ 10. That is, the surplus-value of 10 [would] as before have amounted to 100 per cent. In order to spin 800 lbs. of cotton, 10 workers [would be] needed with a capital outlay of 10. Thus total capital outlay would have been £ 90. Now according to the assumption there would always be 1 worker per 80 lbs. of cotton. Hence on 800 lbs. 10 workers and on 1,600 lbs. 20. How many pounds therefore could the total capital of £ 100 spin now? £ 88 $^{8}/_{9}$ could be used to buy cotton and £ 11 $^{1}/_{9}$ could be laid out in wages.

The relative proportions would be:

	Constant capital	Variable capital	Surplus-value	Rate of surplus-value	Rate of profit	Product	Price per lb. of yarn
III	£88 $^{8}/_{9}$ = 88 $^{8}/_{9}$ lbs.	£11 $^{1}/_{9}$ = 11 $^{1}/_{9}$ workers	£11 $^{1}/_{9}$	100per cent	11 $^{1}/_{9}$ per cent	888 $^{8}/_{9}$ lbs. yarn	2s. 6d.

In this case, where no *change* in the *value* of *variable* capital takes place, and the rate of surplus-value therefore remains the same, [we have the following]:

In I, variable capital is to constant capital as 20:80=1:4. In III, it is as 11 $^{1}/_{9}$:88 $^{8}/_{9}$=1:8; it has thus fallen proportionally by one half, because the *value* of constant capital has doubled. The same number of workers spin up the same amount of cotton, but £ 100 now only employ 11 $^{1}/_{9}$ workers, while the remaining £ 88 $^{8}/_{9}$ only buy 888 $^{8}/_{9}$ lbs. of cotton instead of 1,600 lbs.

[as in] I. The *rate of surplus-value* has remained the same. But owing to the change in the value of the constant capital, the same number of workers can no longer be employed by a capital of £ 100; the ratio between variable and constant capital has changed. Consequently the amount of surplus-value falls and with it the profit, since this surplus-value is calculated on the same amount of capital outlay as before. In the first case, the variable capital (i.e. 20) was $^{1}/_{4}$ of the constant capital (20:80) and $^{1}/_{5}$ of the total capital. Now it is only $^{1}/_{8}$ of the constant capital ($11\ ^{1}/_{9}$:$88\ ^{8}/_{9}$) and $^{1}/_{9}$ of 100, the total capital. But 100 per cent on $^{100}/_{5}$ or 20 is 20 and 100 per cent on $^{100}/_{9}$ or $11\ ^{1}/_{9}$ is only $11\ ^{1}/_{9}$. If the wage remains the same here, or the value of the variable capital remains the same, its absolute amount falls, because the *value of the constant capital* has risen. Therefore the percentage of the variable capital falls and with it surplus-value itself, its absolute amount, and hence the rate of profit.

If the *value of the variable capital remains the same* and *the method of production remains the same*, and therefore the ratio between the amounts of labour, raw material and machinery employed remains the same, a *change in the value of the constant capital* brings about the same variation in the composition of capital as if the *value of constant capital* had remained the same, but a *greater amount* of capital of unchanged value (*thus* also a *greater capital value*) had been employed, in proportion to the capital laid out in labour. The consequence is necessarily a fall in profit. (The opposite takes place if the value of constant capital falls.)

Conversely, a *change in the value of the variable capital—in* this case a rise—increases the proportion *of variable* to *constant capital* and therefore also the percentage of variable capital, or its proportional share in the total capital. Nevertheless, *the rate of profit falls here*, instead of rising, for the *method of production* has

remained *the same*. The same amount of living labour as before is employed now, in order to convert the same amount of raw materials, machinery etc. into products. Here, as in the above case, only a smaller total amount of immediate and accumulated labour can be set in motion with the same capital of £ 100 ||586|; but the smaller amount of labour costs more. The necessary wage has risen. A larger share of this smaller amount of labour represents necessary labour and therefore a smaller amount forms surplus-labour. The rate of surplus-value has fallen, while at the same time the number of workers or the total quantity of labour under the command of the same capital has diminished. The variable capital has increased in proportion to constant capital and hence also in proportion to total capital, although the *amount of labour* employed in proportion to the amount of constant capital has decreased. The surplus-value consequently falls and with it the rate of profit. Previously, the *rate of surplus-value remained the same*, while the rate of profit fell, because the variable capital *fell* in proportion to the constant capital and hence in proportion to the total capital, or the surplus-value fell because the number of workers decreased, its multiplier decreased, *while the rate remained the same*. This time the rate of profit falls because the variable capital *rises* in proportion to the constant capital, hence also to the total capital; this rise in variable capital is, however, accompanied by a fall in the amount of labour employed (of labour employed by *the same* capital), in other words, the surplus-value falls, because its *decreasing rate* is bound up with the decreasing amount of labour employed. The *paid* labour has increased in proportion to the constant capital, but the total quantity of labour employed has decreased.

These variations in the value therefore always affect the surplus-value itself, whose absolute amount decreases in both cases because either one or both of its two factors

fall. In one case it decreases because the number of workers decreases while the rate of surplus-value remains the same, in the other, because both the rate decreases and the number of workers employed by a capital of £ 100 decreases.

Finally we come to case II, where the change in the value of an agricultural product affects both parts of capital in the *same proportion* and where this *change of value* is therefore not accompanied by a change in the organic composition of capital.

In this case (see p. 584) the pound of yarn rises from 1s, 6d. to 2s. 9d., since it is the product of more labour-time than before. It contains *just as much immediate* (although more paid and less unpaid) labour as before, but more accumulated labour. Due to the change in the value of cotton from is, to 2s., 2s. instead of 1s. is incorporated in the value of the lb. of yarn.

Example II on page 584 however is incorrect. We had:

	Constant capital	Variable capital	Surplus-value	Rate of surplus-value	Rate of profit	Product	Price per lb. of yarn
I	£80=1,600 lbs. cotton	£20=20 workers	£20	100 per cent	20 per cent	1,600 lbs. yarn	1s. 6d.

The labour of 20 workers is represented by £ 40. Of this, half is unpaid labour here, hence [£]20 surplus-value. According to this ratio, 10 workers will produce (a value of) £ 20 and of this [£] 10 [are] wages and [£] 10 surplus-value.

If, therefore, the value of the labour-power rose in the same proportion as that of the raw material, i.e., if it doubled, then it would be £ 20 for 10 workers as compared with £ 20 for 20 workers before. In this case, there would be no surplus-labour left. For the value, in terms of money, which the 10 workers produce is equal to £ 20, if that which the 20 produce is equal to £ 40. This is impossible. If this were the case, the basis of capitalist production would have disappeared.

Since, however, the changes in value of constant and variable capital are supposed to be *the same* (proportionally), we must put this case differently. Therefore say the value of cotton rose by one-third; £80 now buy 1,200 lbs. cotton, whereas previously they bought 1,600. Previously £ 1=20 lbs. [cotton] or 1 lb. [cotton]=£ $^{1}/_{20}$=1s. Now £ 1=15 lbs, or 1 lb.=£ $^{1}/_{15}$= =1 $^{1}/_{3}$s. or 1s. 4d. Previously 1 worker cost £ 1, now £ 1 l/3= £ 1 6 $^{2}/_{3}$s. or £ 1 6s. 8d. and for 15 men [that] amounts to £ 20 (£15+£l$^{5}/_{3}$). ||587| Since 20 men produce a value of £40, 15 men produce a value of £ 30. Of this value, £ 20 [are] now their wages and £ 10 surplus-value or unpaid labour,

Thus we have the following:

	Constant capital	Variable capital	Surplus-value	Rate of surplus-value	Bate of profit	Product	Price per lb. of yarn
IV	£80=1,200 lbs. cotton	£20= 15 men	£10	50 per cent	10 per cent	1,200 lbs. yarn	1s. 10d.

This 1s. 10d. [contains] cotton worth 1s. 4d. and labour worth 6d.

The product becomes dearer because the cotton has become dearer by a third. But the product is not dearer by a third. Previously, in I, it was equal to 18d.; if, therefore, it had become dearer by one-third, it would now be 18d.+6d.=24d., but it is only equal to 22d. Previously 1,600 lbs. yarn contained £40 labour, i.e., 1 lb., £ $^{1}/_{40}$ or $^{20}/_{40}$s. or $^{1}/_{2}$s.=6d. labour. Now 1,200 lbs. [yarn] contain £30 labour, 1 lb. therefore contains £ $^{1}/_{40}$=$^{1}/_{2}$s. or 6d. labour. Although the labour has become dearer in the same ratio as the raw material, the quantity of immediate labour contained in 1 lb. of yarn has remained *the same*, though more of this quantity is now paid and less unpaid labour. This change in the value of wages does not, therefore, in any way affected the value of the lb. of yarn, of the product. Now as before, labour only accounts for 6d., while cotton now accounts for 1s. 4d., instead of is., as previously. Thus, if the commodity is sold *at its value*, the change in the value of wages cannot after all bring about a change in the price of the product. Previously, however, 3d. of the 6d. were wages and 3d. surplus-value; now 4d. are wages and 2d. surplus-value. In fact 3d. on wages per lb. of yarn comes to 3×1,600d.=£ 20 for 1,600 lbs. yarn. And 4d. per pound amounts to 4×1,200= £20 for 1,200 lbs. And 3d. on 15d. (1s. cotton plus. 3d. wages) in the first example comes to $^{1}/_{5}$ profit=20 per cent. On the other hand, 2d. on 20d. (16d. cotton and 4d. wages) comes to $^{1}/_{10}$ or 10 per cent.

If, in the above example, the price of cotton had remained the same [then we would have the following]: 1 man spins 80 lbs., since the method of production has remained *the same* in all the examples, and the pound is again equal to 1s.

Now the capital is made up as follows:

Constant capital	Variable capital	Surplus-value	Rate of surplu	Rate of profit	Product	Price per

			s-value			lb. of yarn
£73 1/3= 1,466 2/3 lbs. cotton	£26 2/3 (20 men)	£ 13 1/3	50 per cent	13 1/3 per cent	1,466 2/3 lbs.	1 6/11 s.

This calculation is wrong; for if a man spins 80 lbs., 20 [men] spin 1,600 and not l,466 2/3, since it is assumed that the *method* of *production* has remained *the same*. This fact can in no way be altered by the difference in the remuneration of the man. The example must therefore be constructed differently.

	Constant capital	Variable capital	Surplus-value	Rate of surplus-value	Rate of profit	Product	Price per lb. of yarn
II	£75= 1,500 lbs. cotton	£25 (18 3/4 men)	£12 1/2	50 per cent	12 1/2 per cent	1,500 lbs. yarn	1s. 6d.

Of this 6d., 4d. wages and 2d, profit. 2 on 16=1/8=12 1/2 per cent.

Finally, if the value of the variable capital remained the same as before, [i.e.], 1 man received £ 1, whereas the value of the constant capital altered, so that l lb. cotton cost 1s. 4d. or 16d., instead of 1s. then:

Constant capital	Variable capital	Surplus-value	Rate of surplus-value	Rate of profit	Product	Price per lb. of

								yarn
III	£84 4/19 = 1,263 3/19 lbs. cotton	£15 15/19 = (15 15/19 men)	£15 15/19	100 per cent	15 15/19 percent	1,263 3/19 lbs. [yarn]	1s. 10d.	

||588| The profit [would be] 3d. On 19d. this comes to exactly 15 15/19 per cent.

Now let us put all these examples together, beginning with I, where no change of value has as yet taken place.

	Constant capital	Variable capital	Surplus-value	Rate of surplus-value	Rate of profit	Product	Price per lb. of yarn	Profit
I	£80=1,600 lbs. cotton	£20=20 workers	£20	100 per cent	20 per cent	1,600 lbs. yarn	1s. 6d.	3d.
II	£75= 1,500 lbs. cotton	£25= 18 3/4 workers	£12 1/2	50 per cent	12 1/2 per cent	1,500 lbs. yarn	1s. 6d.	2d.
III	£84 4/19 = 1,263 3/19 lbs. [cotton]	£15 15/19 =15 15/19 workers	£15 15/19	100 per cent	15 15/19 per cent	1,263 3/19 lbs. yarn	1s. 10d.	3d.
IV	280= 1,200 lbs.	£20= 15 workers	£10	50 per cent	10 per cent	1,200 lbs. yarn	1s. 10d.	2d.

[cotto
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The price of the product has changed in III and IV, because the value of constant capital has changed. On the other hand, a change in the value of variable capital does not bring about a change in price because the absolute quantity of immediate labour remains the same and is only differently apportioned between necessary labour and surplus-labour.

Now what happens in example IV, where the change in value affects constant and variable capital in *equal proportions*, where both rise by one-third?

If only wages had risen (II), then the profit would have fallen from 20 per cent to 12 $^{1}/_{2}$, i.e., by 7 $^{1}/_{2}$ per cent. If constant capital alone had risen (III), profit would have fallen from 20 per cent to 15 $^{15}/_{19}$ per cent, i.e., by 4 $^{4}/_{19}$ per cent. Since both rise to the same extent, profit falls from 20 per cent to 10 per cent, i.e., by 10 per cent. But why not by 7 $^{1}/_{2}$+4 $^{4}/_{19}$ per cent or by 11 $^{27}/_{38}$, which is the *sum* of the differences of II and III? This 1 $^{27}/_{38}$ must be accounted for; in accordance with that, the profit should have fallen (IV) to 8 $^{11}/_{38}$, instead of to 10. The amount of profit is determined by the amount of surplus-value and this is determined by the *number* of workers, when the rate of surplus-labour is given. In I there are 20 workers and half their labour-time is unpaid. In II, only a third of the total labour is unpaid, thus the rate of surplus-value falls; moreover, 1 $^{1}/_{4}$ less workers are employed and therefore the *number* [of workers] or the total labour decreases. In III the rate of surplus-value is again the same as in I, one-half of the working-day is unpaid, but as a result of the rise in value of the constant capital, the number of workers falls from 20 to 15 $^{15}/_{19}$ or by 4 $^{4}/_{19}$. In IV (the rate of surplus-value having fallen again to the level of that in II, namely, one-third of the working-day), the number of workers decreases by 5, namely, from 20

to 15. Compared with I, the number of workers in IV decreases by 5, compared with II by $3\,{}^{3}/_{4}$ and compared with III by ${}^{15}/_{19}$; but compared with I it does not decrease by ${}^{11}/_{4}+4\,{}^{4}/_{19}$, i.e., by $5\,{}^{35}/_{76}$. Otherwise the number of workers employed in IV would be $14\,{}^{41}/_{76}$.

Hence it follows that *variations in the value* of commodities which enter into constant or variable capital—when the *method of production*, or the *physical composition of capital*, remains the same, in other words, when the ratio of immediate and accumulated labour remains constant—do *not* bring about a change in the organic composition of the capital if they affect variable and constant capital *in the same proportion*, as in IV (where for instance cotton becomes dearer to the same degree as the wheat which is consumed by the workers). The rate of profit falls here (while the value of constant and variable capital increases), firstly because the rate of surplus-value falls due to the rise in wages, and secondly, because the *number* of workers decreases.

The change in value—if it affects only constant capital or only variable capital—acts like a change in the organic composition of capital and changes the *relative value* of the component parts of capital, although the method of production remains the same. When only the variable capital is affected, it rises in relation to the constant capital ||589| and to the total capital; and not only the rate of surplus-value decreases, but also the number of workers employed. Consequently the amount of constant capital (whose value [remains] unchanged) employed is also smaller (II).

If the change in value only affects the constant capital, then the variable capital falls in proportion to the constant capital and to the total capital. Although the rate of surplus-value remains the same, its amount decreases because the *number of* workers employed falls (III).

Finally, it would be possible for the change in value to affect both constant and variable capital, but in *uneven* proportions. This case only requires to be fitted into the above categories. Suppose, for instance, that constant and variable capital were affected in such a way that the value of the former rose by 10 per cent and the latter by 5. Then in so far as they both rose by 5 per cent, one by 5+5 and the other by 5, we would have case IV. But in so far as the constant capital changed by a further 5 per cent, we would have case III.

In the above, we have only assumed a rise in value. With a fall we have the opposite effect. For example, going from IV to I can be considered as a fall in value which affected both component parts *in equal proportions*. To assess the effect of a fall in only [one component part], II and III would have to be modified. |589||

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||600| I would make the following further observation on the influence of the variation of value upon the organic com-position of capital: With capitals in *different branches of production*—with an otherwise equal physical composition—it is possible that the higher *value* of the machinery or of the material used, may bring about a difference. For instance, if the cotton, silk, linen and wool [industries] had exactly the same physical composition, the mere difference in the cost of the material used would create such a variation. |600||

[d) Changes in the Total Rent, Dependent on Changes in the Market-Value]

||589| Returning to Table A it thus follows, that the assumption, that the profit of 10 per cent has come about

through a decrease (in that the rate of profit, starting from III was higher, in II it was lower than in III, but still higher than in I, where it was 10 per cent) may be correct, namely, if the development actually proceeded along the descending line; but this assumption by no means necessarily follows from the gradation of rents, the mere existence of differential rents; on the contrary with the ascending line, this [gradation of rents] presupposes that the rate of profit remains the same over a long period.

Table B. As has already been explained above, in this example the competition from III and IV, forces [the cultivator of] II to withdraw half his capital. With a descending line, it would on the contrary appear that an additional supply of only 32 $^{1}/_{2}$ tons is required, hence only a capital of £ 50 has to be invested in II.

But the most interesting aspect of the table is this: Previously a capital of £ 300 was invested, now only £ 250, i.e., one-sixth less. The amount of product has however remained the same— 200 tons. The productivity of labour has thus risen and the value of the individual commodity fallen. The *total value* of the commodities has likewise fallen, from £ 400 to £ *369* $^{3}/_{13}$. As compared with A, the market-value per ton has fallen from £ 2 to £ 1 16 $^{12}/_{13}$s., since the new market-value is determined by the *individual value* of II instead of, as previously, by the higher one of I. Despite all these circumstances— decrease in the capital invested, decrease in the total value of the product with the same volume of production, fall in the market-value, exploitation of more fertile classes=the rent in *B*, as compared with *A*, has risen absolutely, by £ 24 $^{3}/_{13}$ (£ 94 $^{3}/_{13}$ as against £ 70). If we examine how far the individual classes participate in the increase in total rent, we find that in class II the absolute rent, in so far as its rate is concerned, has remained the same for £ 5 on £ 50 equals 10 per cent; but its *amount* has fallen by half, from £ 10 to £ 5, because the capital investment in II B has fallen by half, from £

100 to £ 50. Class II B, instead of effecting an increase in the rental, effects a decrease by £ 5. Furthermore, the differential rent for II B has completely disappeared, because the market-value is now equal to the individual value of II; this results in a second loss of £ 10. Altogether then the reduction in rent for class II amounts to £ 15.

In III the amount of absolute rent is the same; but as a result of the fall in market-value, its differential value has also fallen; hence also the differential rent. It amounted to £ 30, now it amounts only to [£] 18 $^{6}/_{13}$. This is a reduction by [£] 11 $^{7}/_{13}$. The rent for II and III taken together has therefore fallen by [£] 26 $^{7}/_{13}$. It remains to account for a rise, not of 24 $^{3}/_{13}$, as at first sight it would seem, but of £ 50 $^{10}/_{13}$. Furthermore, however, for B as compared with A, the absolute rent of I A has disappeared as class I itself has disappeared. This represents a further reduction by £ 10. Thus, all in all, £ 60 ^{10}/13 must be accounted for. But this is the rental of the new class IV B. The rise in the rental of B is therefore only to be explained by the rent from IV B. The absolute rent for IV B, like that of all other classes, is £ 10. The differential rent of £ 50 $^{10}/_{13}$, however, is due to ||590| the fact that the differential value of IV is 10 $^{470}/_{481}$s. per ton, and this has to be multiplied by 92 $^{1}/_{2}$ for that is the number of tons. The fertility of II and III has remained the same. The least fertile class has been removed entirely and yet the rental rises because, due to its relatively great fertility, the differential rent of IV alone is greater than the total differential rent of A had been previously. Differential rent does not depend on the absolute fertility of the classes that are cultivated for $^{1}/_{2}$ II, III, IV [B are] more fertile than I, II, III [A], and yet the differential rent for $^{1}/_{2}$ II, III, IV [B] is greater than it was for I, II, III [A] because the greatest portion of the product—92 $^{1}/_{2}$ tons—is supplied by a class whose differential value is greater than that occurring in I, II, III A. When the differential value for a class is *given*, the

absolute amount of its differential rent naturally depends on the amount of its product. But this *amount* itself is already taken into account in the calculation and formation of the differential value. Because with £ 100, IV produced 92 1/2 tons, no more and no less, its differential value in B where the market-value is £ 1 16 12/13s. per ton, amounts to 10 470/481s. per ton.

The whole rental in A amounts to £ 70 on £ 300 capital, which is 23 1/3 per cent. On the other hand in B, leaving out of account the 3/13, it is £ 94 on £ 250, which is 37 3/5 per cent.

Table C. Here it is assumed that class IV having come into the picture and class II determining the market-value, demand does not remain the same, as in Table B, but it increases with the falling price, so that the whole of the 92 1/2 tons which have been newly added by IV is absorbed by the market. At £ 2 per ton only 200 tons would be absorbed; at £ 1 11/13, the demand grows to 292 1/2. It is wrong to assume that the limits of the market are necessarily the same at £ 1 11/13 per ton as at £ 2 per ton. On the contrary, the market expands to a certain extent with the falling price—even in the case of a general means of subsistence, such as wheat.

This, *for the time being*, is the only point to which we want to draw attention in Table C. *Table D.* Here it is assumed that the 292 1/2 tons are absorbed by the market only if the market-value falls to £ 1 5/6, which is the *cost-price* per ton for class I, which therefore bears no rent but only yields the normal profit of 10 per cent. This is the case which Ricardo assumes to be the normal case and on which we should therefore dwell at somewhat greater length.

As in the preceding tables, the ascending line is here presupposed at the outset; later we shall look at the same process in the descending line.

If II, III and IV only provided an additional supply of 140, that is, an additional supply which the market absorbs at £ 2 per ton, then I would continue to determine the market-value.

But this is not the case. There is an overplus of 92 1/2 tons on the market, produced by class IV. If this were, in fact, surplus production, which exceeded the absolute requirements of the market, then I would be completely thrown out of the market and II would have to withdraw half its capital as in B. II would then determine the market-value as in B. But it is assumed that if the market-value decreases, the market can absorb the 92 1/2 tons. How does this occur? IV, III and 1/2 II dominate the market absolutely. In other words if the market could only absorb 200 tons, they would throw out I.

But to begin with let us take the actual position. There are now 292 1/2 tons on the market whereas previously there were only 200. II would sell at its individual value, at £ 1 11/13, in order to make room for itself and to drive I, whose individual value is £ 2, out of the market. But since, even at this market-value, there is no room for the 292 1/2 tons, IV and III exert pressure on II, until the market-price falls to £ 1 5/6, at which price the classes IV, III, II and I find room for their product on the market, which at *this* ||591| market-price absorbs the *whole* product. Through this fall in price, supply and demand are balanced. As soon as the additional supply surpasses the capacity of the market, as determined by the old market-value, each class naturally seeks to force the whole of its product *on to* the market to the exclusion of the product of the other classes. This can only be brought about through a fall in price, and moreover a fall to the level where the market can absorb *all* products. If this reduction in price is so great that the classes I, II etc. have to sell *below* their costs of production, they naturally have to withdraw [their capital from production]. If,

however, the situation is such that the reduction does not have to be so great in order to bring the output into line with the state of the market, then the total capital can continue to work in this sphere of production at this new market-value.

But it is further clear that in these circumstances it is not the worst land, I and II, but the best, III and IV, which determines the market-value, and so also the rent on the *best sorts of land* determines those on the worse, as *Storch* correctly grasped in relation to this case.

IV sells at the price at which it can force its entire product on to the market overcoming all resistance from the other classes. This price is £ 1 5/6. If the price were higher, the market would contract and the process of mutual exclusion would begin anew.

That I determines the market-value [is correct] only on the assumption that the additional supply from II etc. is only the additional supply which the market can absorb at the market-value of I. If it is greater, then I is quite passive and by the room it takes up, only compels II, III, IV to react until the price has contracted sufficiently for the market to be large enough for the whole product. Now it happens that at this market-value, which is in fact determined by IV, IV itself pays a differential rent of £ 49 7/12 in addition to the absolute rent, III pays a differential rent of £ 17 1/2 in addition to the absolute rent, II, on the other hand, pays no differential rent and moreover, only pays a part of the absolute rent, £ 9 1/6, instead of £ 10, i.e., not the full amount of the absolute rent. Why? Although the new market-value of £ 1 5/6 is above its cost-price, it is *below* its individual value. If market-value were *equal* to its individual value, it would pay the absolute rent of £ 10, which is equal to the difference between individual value and cost-price. But since it is below that, it only pays a part of its absolute rent, £ 9 1/6 instead of £ 10; the actual rent it pays is equal

to the difference between market-value and cost-price, but this difference is smaller than that between its individual value and its cost-price.

<The *actual rent* is equal to the difference between market-value and cost-price.>

The *absolute rent* is equal to the difference between individual value and cost-price.

The *differential rent* is equal to the difference between market-value and individual value.

The actual or *total rent* is equal to the absolute rent plus the differential rent, in other words, it is equal to the excess of the market-value over the individual value plus the excess of the individual value over the cost-price or [it is] equal to the difference between market-value and cost-price.

If, therefore, the market-value is equal to the individual value, the differential rent is nil and the total rent is equal to the difference between individual value and cost-price.

If the market-value is greater than the individual value, the *differential rent* is equal to the excess of the market-value over the individual value, the total rent, however, is equal to this differential rent plus the absolute rent.

If the market-value is smaller than the individual value, but greater than the cost-price, the differential rent is a negative quantity, hence the total rent is equal to the absolute rent plus this negative differential rent, i.e., the excess of the individual value over the market-value.

If the market-value is equal to the cost-price, then on the whole rent is nil.

In order to put this down in the form of equations, we shall call the absolute rent AR, the differential rent DR,

the total rent TR, the market-value MV, the individual value IV and the cost-price CP. We then have the following equations:

||592| 1. AR=IV-GP=+*y*

2. DR=MV-IV=*x*

3. TR=AR+DR=MV-IV+IV-CP= *y*+*x*=MV-CP

If MV>IV then MV-IV=+*x*. Hence: DR positive and TR= *y*+*x*.

And MV-CP=*y*+*x*. Or MV-*y*-*x*=CP or MV=*y*+*x*+CP. If MV<IV then MV-IV=-*x*. Hence: DR negative and TR=*y*-*x*.

And MV-CP=*y*-*x*. Or MV+*x*=IV. Or MV+*x*-*y*=CP. Or MV=*y*-*x*+CP.

If MV=IV, then DR=0, *x*=0, because MV-IV=0.

Hence TR=AR+DR=AR+0=MV-IV+IV-CP=0+IV-CP=IV-CP=MV-CP=+*y*.

If MV=CP [then] TR or MV-CP=0

In the circumstances assumed, I pays no rent. Why not? Because the absolute rent is equal to the difference between the individual value and the cost-price. The differential rent, however, is equal to the difference between the market-value and the individual value. But the market-value here is equal to the cost-price of I. The individual value of I is £ 2 per ton, the market-value £ 1 5/6. The differential rent of I is therefore £ 1 5/6-£ 2, which is -£ 1/6. The absolute rent of I, however, is £ 2=£ 1 5/6, in other words, it is equal to the difference between its individual value and its cost-price, which is +£ 1/6. Since, therefore, the actual rent of I is equal to the absolute rent (+£1/6) and the differential rent (-£1/6), it is

equal to +£1/6-£1/6=0. Thus category I pays neither differential rent nor absolute rent, but only the cost-price, The value of its product is £2; [it is] sold at £ 1 5/6, that means 1/12 *below* its value which is 8 1/3 per cent *below* its value. Category I cannot sell at a higher price, because the market is determined not by I but by IV, III, II in opposition to I. Category I can merely provide an additional supply at the price of £ 1 5/6.

That I pays no rent, is due to the fact that the market-value is equal to its cost-price.

This fact, however, is the result:

Firstly of the relatively low productivity of I. What it has to supply, is 60 additional tons at £ 1 5/6. Suppose instead of supplying only 60 tons for [£] 100, I supplied 64 tons for [£] 100, i.e., 1 ton less than class II. Then only £ 93 3/4 capital would have to be invested in I in order to supply 60 tons. The individual value of one ton in I would then be £ 1 7/8 or £ 1 17 1/2s.; its cost-price: £ 1 14 3/8s. And since the market-value is £ 1 5/6= =£ 1 16 2/3s., the difference between cost-price and market value is 2 7/24s. And on 60 tons this would amount to ||593| a rent of £ 6 17 1/2s.

If therefore all the circumstances remained the same and I were more productive than it is by 1/15 (since 60/15=4), it would still pay a part of the absolute rent because there would be a difference between the market-value and its cost-price, although a smaller difference than between its individual value and its cost-price. Here the worst land would therefore still bear a rent if it were more fertile than it is. If I were absolutely more fertile than it is, II, III IV would be *relatively less fertile* compared with it. The difference between its [value] and their individual values would be smaller. The fact that I bears *no rent* is therefore just as much due to the circumstance that it is

not absolutely more fertile as to the fact that II, III, IV are not *relatively less fertile*.

Secondly, however: Given the productivity of I as 60 tons for £ 100. If II, III, IV, and especially IV, which enters the market as a new competitor, were less fertile, not only relatively as against I, but *absolutely*, then category I could yield a rent, even though this would only consist of a fraction of the absolute rent. For since the market absorbs 292 1/2 tons at £ 1 5/6, it would absorb a smaller number of tons, for instance 280 tons at a market-value higher than £ 1 5/6. Every market-value, however, which is higher than £ 1 5/6, i.e., higher than the production costs of I, yields a rent for I, equal to the market-value minus the cost-price of I.

It can thus equally well be said that I yields no rent because of the absolute productivity of IV, for as long as II and III were the only competitors on the market, it yielded a rent and would continue to do so even despite the advent of IV, despite the additional supply—although it would be a lower rent—if for a capital outlay of £ 100 IV produced 80 tons instead of 92 1/2 tons.

Thirdly: We have assumed that the absolute rent for a capital outlay of £ 100 is £ 10, that is, 10 per cent on the capital or 1/11 on the cost-price, and that therefore the value [of the product yielded by] a capital of £ 100 in agriculture is £ 120 of which £ 10 are profit.

It would be wrong to assume that if we [say]: £ 100 capital is laid out in agriculture and if one working-day equals £ 1, then 100 working-days are laid out. In general, if a capital of £ 100 equals 100 working-days then, in whatever branch of production this capital may be laid out, [the newly-created value] is never [equal to 100 working-days]. Supposing that one gold sovereign equals one working-day of 12 hours, and that this is the normal working-day, then the first question is, what is the

rate of exploitation of labour? That is, how many of these 12 hours does the worker work for himself, for the reproduction (of the equivalent) of his wage, and how many does he work for the capitalist *gratis?* [How great], therefore is the labour-time which the capitalist *sells* without having *paid* for it and which is therefore the source of the surplus-value and serves to augment the capital? If the rate of exploitation is 50 per cent, then the worker works 8 hours for himself and 4 gratis for the capitalist. The product equals 12 hours, which is £ 1 (since according to the assumption, 12 hours labour-time are contained in one gold sovereign). Of these 12 hours, equal to £ 1, 8 recoup the capitalist for the wage and 4 form his surplus-value. Thus on a wage of 13 $^{1}/_{3}$s., surplus-value equals 6 $^{2}/_{3}$s.; or on a capital outlay of £ 1, it is 10s, and on £ 100, £ 50. Then the value of the commodity produced with the £ 100 capital would be £ 150. The profit of the capitalist in fact consists in the sale of the unpaid labour contained in the product. The normal profit is derived from this sale of that which has not been paid for.

||594| But the second question is this: What is the *organic composition* of the capital? That part of the value of the capital which consists of machinery etc. and raw material is *simply reproduced* in the product, it reappears remaining unaltered. This part of the capital the capitalist must pay for at its *value*. It thus enters into the product as a given *predetermined* value. Only the labour used by the capitalist is merely partly paid for by him, although it enters *wholly* into the value of the product [and] is wholly bought by him. Assuming the above to be the rate of exploitation of labour, the amount of surplus-value for capital *of the same* size will, therefore, depend on its organic composition. If the capital *A* consists of £ 80c+£ 20v, then the value of the product is £ 110 and the profit is £ 10 (although it contains 50 per cent unpaid labour). If the capital *B* consists of £

40c+£ 60v, then the value of the product is £ 130, and the profit is £ 30 although it too contains only 50 per cent unpaid labour. If the capital C consists of £ 60c+ +£ 40v, then the value of the product is £ 120 and the profit is £ 20 although, in this case too, it comprises 50 per cent unpaid labour. Thus the three capitals, equal to £ 300, yield a total profit of £ 10+£ 30+£ 20=£ 60, and this makes an average of 20 per cent for £ 100. This average profit is made by each of the capitals if it sells the commodity it produces at £ 120. The capital *A:* £ 80c+£ 20v, sells at £ 10 *above* its value; capital *B:* £ 40c+£ 60v, sells at £ 10 *below* its value; capital C:£ 60c+£ 40v sells *at* its value. All the commodities taken together, are sold at their value: £ 120+£ 120+ £ 120=£ 360. In fact the value of *A+B+C* equals £ 110+£ 130+£ 120=£ 360. But the prices of the individual categories are partly *above*, partly *below* and partly *at* their value so that each yields a profit of 20 per cent. The values of the commodities, thus modified, are their cost-prices, which competition constantly sets as centres of gravitation for market-prices.

Now assume that the £ 100 laid out in agriculture is composed of £ 60c+£ 40v (which, incidentally, is perhaps still too low for v), then the value [of the product] is £ 120. But this would be equal to the *cost-price* in the industry. Suppose therefore in the above case that the average price [of the product produced] by a capital of [£]100 is £110. We now say that if the agricultural product is sold at its value, its value is £ 10 *above* its cost-price. It then yields a rent of 10 per cent and this we assume to be the *normal* thing in capitalist production, that in contrast to other products, the agricultural product is not sold at its cost-price, but at its *value*, as a result of *landed property*. The composition of the aggregate capital is £ 80c+£ 20v, if the average profit is 10 per cent. We assume that that of the agricultural capital is £ 60c+£ 40v, that is, in its composition wages—

immediate labour—have a larger share than in the total capital invested in the other branches of industry. This indicates a *relatively lower* productivity of labour in this branch. It is true, that in some types of agriculture, for instance in stock-raising, the composition may be £ 90c+£ 10v, i.e., the ratio of v:c may be smaller than in the total industrial capital. Rent is, however, not determined by this branch, but by agriculture proper, and, furthermore, by that part of it which produces the principal *means of subsistence*, such as wheat, etc. The rent in the other branches is not determined by the composition of ||595| the capital invested in these branches themselves, but by the composition of the capital which is used in the production of the principal means of subsistence. The mere existence of capitalist production presupposes that vegetable food, not animal food, is the largest element in the means of subsistence. The interrelationship of the rents in the various branches is a secondary question that does not interest us here and is [therefore] left out of consideration.

In order, therefore, to make the absolute rent equal to 10 per cent, it is assumed that the general average composition of the non-agricultural capital is £ 80c+£ 20v and that of agricultural capital is £ 60c+£ 40v.

The question now is whether it would make any difference to case D, where class I pays no rent, if the agricultural capital were differently constituted, for example £ 50c+£ 50v or £ 70c+£ 30v? In the first case, the value of the product would be £ 125, in the second, £ 115. In the first case, the difference arising from the different composition of the non-agricultural capital would be £ 15, in the second it would be 5. That is, the difference between the value of the agricultural product and cost-price would in the first case be so per cent higher than has been assumed above, and in the second 50 per cent lower.

If the former were the case, if the value [of the product] of £ 100 were £ 125, then the value per ton for I [would be] equal to £ 2 1/12 in Table A. And this would be the market-value for A, for class I determines the market-value here. The cost-price for I A, on the other hand, would be £ 1 5/6, as before. Since, according to the assumption, the 292 1/2 tons are only saleable at £ 1 5/6, this would therefore make no difference, just as it would make no difference if the agricultural capital [were] composed of £ 70c+£ 30v or the difference between the value of the agricultural produce and its cost-price [were] only £ 5, i.e., half the amount [previously] assumed. If the *cost-price*, and therefore the average organic composition of the non-agricultural capital, were assumed to be constant at £ 80c+£ 20v, then it would make no difference to this case <I D> whether it [the organic composition of the agricultural capital] were higher or lower, although it would make a considerable difference to Table A and it would make a difference of 50 per cent in the absolute rent.

But let us now assume the opposite, that the composition of the agricultural capital remains £ 60c+£ 40v, as before and that of the non-agricultural capital varies. Instead of being £ 80c+£ 20v, let it be either £ 70c+£ 30v or £ 90c+£ l0v. In the first case the average profit [would be] [£] 15 or 50 per cent higher than in the supposed case; in the other, £ 5 or 50 per cent lower. In the first case the absolute rent [would be] £ 5. This would again make no difference to I D. In the second case the absolute rent [would be] £ 15. This too would make no difference to the case I D. All this would therefore be of no consequence to I D, however important it may continue to be for tables A, B, C, and E, i.e., for the absolute determination of the absolute and differential rent, whenever the new class— be it in the ascending or the descending line—only supplies the necessary additional demand at the old market-value.

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Now the following question arises:

Can this *case D* occur in practice? And even before this, we must ask: is it, as Ricardo assumes, the *normal* case? It can only be the normal case:

Either: if the agricultural capital is equal to £ 80c+£ 20v, that is, to the average composition of the non-agricultural capital, so that the *value* of the agricultural produce would be equal to the *cost-price* of the *non-agricultural produce*. For the time being this is statistically wrong. The assumption of this *relatively* lower productivity of agriculture is at any rate more appropriate than Ricardo's assumption of a *progressive* absolute decrease in its productivity.

||596| In Chapter I "*On Value*" Ricardo assumes that the average composition of capital prevails in gold and silver mines (although he only speaks of fixed and circulating capital here; but we shall "correct" this). According to this assumption, these mines could only yield a differential rent, never an absolute rent. The assumption itself, however, in turn rests on the other assumption, that the additional supply provided by the richer mines is always greater than the additional supply required at the old market-value. But it is absolutely incomprehensible why the opposite cannot equally well take place. The mere existence of differential rent already proves that an additional supply is possible, without altering the *given market-value*. For IV or III or II would yield no differential rents if they did not sell at the market-value of I, however this may have been determined, that is, if they did not sell at a market-value which is determined *independently* of the absolute amount of their supply.

Or: *case D* would always have to be the normal one, if the [conditions] presupposed in it are always the normal ones; in other words, if I is always forced by the competition from IV, III and II, especially from IV, to sell its product *below* its value by the whole amount of the absolute rent, that is, at the *cost-price*. The mere existence of differential rent in IV, III, II proves that they sell at a market-value which is *above* their individual value. If Ricardo assumes that this cannot be the case with I, then it is only because he *presupposes* the impossibility of absolute rent, and the latter, because he presupposes the *identity of value and cost-price*.

Let us take *case* C where the 292 $^{1}/_{2}$ tons find a sale at a market-value of £ 1 16 $^{12}/_{13}$ s. And, like Ricardo, let us start out from IV, So long as only 92 $^{1}/_{2}$ tons are required, IV will sell at £1 5 $^{35}/_{37}$s. per ton, i.e., it will sell commodities that have been produced with a capital of £ 100 at their value of £ 120, which yields the absolute rent of £ 10. Why should IV sell its commodity *below* its value, at its *cost-price?* So long as it alone is there, III, II, I cannot compete with it. The mere *cost-price* of III is *above* the value which yields IV a rent of £ 10, and even more so the cost-price of II and I. Therefore III etc. could not compete, even if they sold these tons at the bare cost-price.

Let us assume that there is only one class—the best or the worst type of land, IV or I or III or II, this makes no difference whatsoever to the theory—let us assume that its supply is *unlimited*, that is, *relatively* unlimited compared to the amount of the given capital and labour which is in general available and can be absorbed in this branch of production, so that land forms no barriers and provides a relatively unlimited field of action for the available amount of labour and capital. Let us assume, therefore, that there is no differential rent because there is no cultivation of land of *varying* natural fertility, hence there is no differential rent (or else only to a negligible

extent). Furthermore, let us assume that there is *no landed property;* then clearly there is no absolute rent and, therefore (as, according to our assumption, there is no differential rent), there is *no* rent at all. This is a tautology. For the existence of *absolute rent* not only presupposes landed property, but it is the *posited landed property*, i.e., landed property contingent on and modified by the action of capitalist production. This tautology in *no* way helps to settle the question, since we explain that absolute rent is formed as the result of the *resistance* offered by landed property in agriculture to the capitalist levelling out of the values of commodities to average prices. If we remove this action on the part of landed property—this resistance, the specific resistance which the competition between capitals comes up against in this field of action—we naturally abolish the precondition on which the existence of rent is based. Incidentally (as Mr. Wakefield sees very well in his colonial theory), there is a contradiction in the assumption itself: on the one hand, developed capitalist production, on the other hand, the non-existence of landed property. Where are the wage-labourers to come from in this case?

A somewhat *analogous* development takes place in the colonies, even where, *legally*, landed property exists, in so far as the government gives [land] gratis as happened originally in the colonisation from England; and even where the ||597| government actually institutes landed property by selling the land, though at a negligible price, as in the United States, at 1 dollar or something of the sort per acre.

Two different aspects must be distinguished here.

Firstly: There are the colonies proper, such as in the United States, Australia, etc. Here the mass of the farming colonists, although they bring with them a larger or smaller amount of capital from the motherland, are

not *capitalists*, nor do they carry on *capitalist* production. They are more or less peasants who work themselves and whose main object, in the first place, is to produce *their own livelihood*, their means of subsistence. Their main product therefore does not become a *commodity* and is not intended for trade. They sell or exchange the excess of their products over their own consumption for imported manufactured commodities etc. The other, smaller section of the colonists who settle near the sea, navigable rivers etc., form trading towns. There is no question of capitalist production here either. Even if capitalist production gradually conies into being, so that the sale of his products and the profit he makes from this sale become decisive for the farmer who himself works and owns his land; so long as, compared with capital and labour, land still exists in elemental abundance providing a practically unlimited field of action, the first type of colonisation will continue as well and production will therefore *never* be regulated according to the needs of the market—at a given market-value. Everything the colonists of the first type produce *over and above* their immediate consumption, they will throw on the market and sell at any price that will bring in more than their wages. They are, and continue for a long time to be, competitors of the farmers who are already producing more or less capitalistically, and thus keep the market-price of the agricultural product constantly *below* its value. The farmer who therefore cultivates land of the worst kind, will be quite satisfied if he makes the average profit on the sale of his farm, i.e., if he gets back the capital invested, this is not the case in very many instances. Here therefore we have two essentially different conditions competing with one another: capitalist production is not as yet dominant in agriculture; secondly, although landed property exists legally, in practice it only exists as yet sporadically, and strictly speaking there is only possession of land. Or although landed property exists in a legal sense, it is—in

view of the *elemental* abundance of land relative to labour and capital—as yet unable to offer resistance to capital, to transform agriculture into a field of action which, in contrast to non-agricultural industry, offers specific resistance to the *investment of capital*.

In the second type of colonies—plantations—where commercial speculations figure from the start and production is intended for the world market, the capitalist mode of production exists, although only in a formal sense, since the slavery of Negroes precludes free wage-labour, which is the basis of capitalist production. But the business in which slaves are used is conducted by *capitalists*. The method of production which they introduce has not arisen out of slavery but is grafted on to it. In this case the same person is capitalist and landowner. And the *elemental* [profusion] existence of the land confronting capital and labour does not offer any resistance to capital investment, hence none to the competition between capitals. Neither does a class of farmers as distinct from landlords develop here. So long as these conditions endure, nothing will stand in the way of cost-price regulating market-value.

All these preconditions have nothing to do with the preconditions in which an *absolute rent* exists: that is, on the one hand, developed capitalist production, and on the other, landed property, not only existing in the legal sense but actually offering resistance and defending the field of action against capital, only making way for it under certain conditions.

In these circumstances an absolute rent will exist, even if only IV or III or II or I are cultivated. Capital can only win new ground in that solely existing class [of land] by paying rent, that is, by selling the agricultural product at its *value*. It is, moreover, only in these circumstances that there can first be talk of a comparison and a difference between the capital invested in agriculture

(i.e., in a natural element as such, in primary production) and that invested in non-agricultural industry.

But the next question is this:

If one starts out from I, then clearly II, III, IV, if they only provide the additional supply admissible at the old market-value, will sell at the market-value determined by I, and therefore, apart from the absolute rent, they will yield a differential rent in proportion to their relative fertility. On the other hand, if IV is the starting-point, then it appears that certain objections ||598| could be made.

For we saw that II [in tables B and C] draws the absolute rent if the product is sold at its value of £ 1 $^{11}/_{13}$ or at £ 1 16 $^{12}/_{13}$s.

In Table *D* the *cost-price* of III, the next class (in the descending line) is higher than the *value* of IV, which yields a rent of £ 10. Thus there cannot be any question of competition or underselling here—even if III sold at cost-price. If IV, however, no longer satisfies the demand, if more than 92 $^{1}/_{2}$ tons are required, then its price will rise. In the above case, it would have to rise by 3 $^{43}/_{111}$s. per ton, before III could enter the field as a competitor, even at its *cost-price*. The question is, will it enter into it in these circumstances? Let us put this case in another way. For the price of IV to rise to £ 1 12s., the individual value of III, the demand would not have to rise by 75 tons. This applies especially to the *dominant agricultural product*, where an insufficiency in supply will bring about a much greater rise in *price* than corresponds to the *arithmetical* deficiency in supply. But if IV had risen to £1 12s., then at this market-value, which is equal to III's individual value, the latter would pay the absolute rent and IV a differential rent. If there is any additional demand at all, III can sell at its individual value, since it would then dominate the market-value and

there would be no reason at all for the *landowner* to forgo the rent.

But say the market-price of IV only rose to £ 1 9 1/3s., the *cost-price* of III. Or in order to make the example even more striking: suppose the cost-price of III is only £ 1 5s., i.e., only 1 8/37s. higher than the *cost-price* of IV. It must be higher because its fertility is lower than that of IV, Can III be taken in hand now and thus compete with IV, which sells above III's cost-price, namely, at £1 5 35/37 s.? Either there is an additional demand or not. In the first case the market-price of IV has risen above its value, above £ 1 5 35/37s. And then, whatever the circumstances, III would sell *above* its cost-price, even if not to the full amount of its absolute rent.

Or there is *no* additional demand. Here in turn we have two possibilities. Competition from III could only enter into it if the farmer of III were at the same time its *owner*, if to him as a capitalist landed property would not be an obstacle, would offer no resistance, because he has control of it, not as capitalist but as landowner. His competition would force IV to sell below its hitherto prevailing price of £ 1 5 35/37 s, and even below the price of £ 1 5s. And in this way III would be driven out of the field. And IV would be capable of driving III out every time. It would only have no reduce the price to the level of its own costs of production, which are lower than those of III. But if the market expanded as a result of the *reduction in price* engendered by III, what then? Either the market expands to such an extent that IV can dispose of its 92 1/2 tons as before, despite the newly-added 75, or it does not expand to this degree, so that a part of the product of IV and III would be surplus. In this case IV, since it dominates the market, would continue to lower [the price] until the capital in III is reduced to the appropriate size, that is until only that amount of capital is invested in it as is just sufficient for the entire product of IV to be absorbed. But at £ 1 5s. the

whole product would be saleable and since III sold a part of the product at this price, IV could not sell above that. This however would be the only possible case: temporary over-production not engendered by an additional demand, but leading to an expansion of the market. And this can only be the case if capitalist and landowner are identical in III—i.e., if it is assumed once again that landed property does not exist as a power confronting capital, because the capitalist himself is landowner and sacrifices the landowner to the capitalist. But if landed property as such confronts capital in III, then there is no reason at all why the landowner should hand over his acres for cultivation without drawing a rent from them, why he should hand over his land before the price of IV has risen to a level which is at least *above* the cost-price of III. If this rise is only ||599| small, then, in any country under capitalist production, III will continue to be withheld from capital as a field of action, unless there is no other form in which it can yield a rent. But it will never be put under cultivation before it yields a rent, before the price of IV is *above* the cost-price of III, i.e., before IV yields a differential rent in addition to its old rent. With the further growth of demand, the price of III would rise to its value, since the *cost-price* of II is *above* the individual value of III. II would be cultivated as soon as the price of III had risen above £ 1,13 $^{11}/_{13}$s., and so yielded some rent for II.

But it has been assumed in D that I yields *no* rent. But this only because I has been assumed to be already cultivated land which is being forced to sell *below* its value, at its *cost-price* because of the change in market-value brought about by the entry of IV. It will only continue to be thus exploited, if the owner is himself the farmer, and therefore in this *individual case* landed property *does not* confront capital, or if the farmer is a small capitalist prepared to accept less than 10 per cent or

a worker who only wants to make his wage or a little more and hands over his surplus-labour, which is equal to [£] 10 or £ 9 or less, to the landowner instead of the capitalist. Although in the two latter cases *fermage* is paid, yet economically speaking, no rent, and we are concerned with the latter. In the one case the farmer is a mere labourer, in the other something between labourer and capitalist.

Nothing could be more, absurd than the assertion that the landowner cannot *withdraw* his acres from the market just as easily as the capitalist can withdraw his capital from a branch of production. The best proof of this is the large amount of fertile land that is uncultivated in the most developed countries of Europe, such as England, the land which is taken out of agriculture and put to the building of railways or houses or is reserved for this purpose, or is transformed by the landlord into rifle-ranges or hunting-grounds as in the highlands of Scotland etc. The best proof of this is the vain struggle of the English workers to lay their hands on the waste land.

Nota bene: In all cases where the absolute rent, as in II D, falls below its normal amount, because, as here, the market-value is below the individual value of the class or, as in II B, owing to competition from the better land, a part of the capital must be withdrawn from the worse land or where, as in I D, rent is completely absent, it is presupposed:

1. that where rent is entirely absent, the landowner and capitalist [are] *one and the same* person; here therefore the resistance of landed property against capital and the limitation of the field of action of capital by landed property disappear but only in individual cases and as an exception. The presupposition of landed property is abolished as in the colonies, but only in separate cases;

2. that the competition of the better lands—or possibly the competition from the worse lands (in the descending line)— leads to over-production and forcibly expands the market, creates an additional demand by forcing prices down. This however is the very case which Ricardo does not foresee because he always argues on the assumption that the supply is only sufficient to satisfy the additional demand;

3. that II and I in B, C, D either do not pay the full amount of the absolute rent or pay no absolute rent at all, because they are forced by the competition from the better lands to sell their product *below* its value, Ricardo on the other hand presupposes that they sell their product at *its value* and that the *worst land* always determines the market-value, whereas in case I D, which he regards as the normal case, just the opposite takes place. Furthermore his argument is always based on the assumption of a descending line of production.

If the average composition of the non-agricultural capital is £80c+£ 20v, and the rate of surplus-value is 50 per cent, and if the composition of the agricultural capital is £ 90c+£ 10v, i.e., higher than that of industrial capital— which ||600| is historically incorrect for capitalist production— [then there is] no *absolute rent;* if it is £ 80c+£ 20v, which has not so far been the case, [there is] *no* absolute rent; if it is lower, for instance £ 60c+£ *40v*, [there is an] *absolute rent*.

On the basis of the theory, the following possibilities can arise, according to the relationship of the different categories to the market—i.e., depending on the extent to which one or another category dominates the market:

A. The last class pays absolute rent. It determines the market-value because all classes *only provide the necessary supply at this market-value*.

B. The last class determines the market-value; it pays absolute rent, the full rate of rent, but not the full previous amount because competition from III and IV has forced it to withdraw part of the capital from production.

C. The *excess* supply which classes I, II, III, IV provide *at the old market-value*, forces the latter to fall; this however, being regulated by the higher classes, leads to the expansion of the market. I pays only a part of the absolute rent, II pays only the absolute rent.

D. The same domination of *market-value* by the better classes or of the inferior classes by oversupply destroys rent in I altogether and reduces it to below its absolute amount in II; finally in

E. The better classes oust I from the market by bringing down the market-value below the cost-price [of I]. II now regulates the market-value because *at this new market-value* only the necessary supply [is] forthcoming from all three classes. |600||

||600| Now back to Ricardo.

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It goes without saying that when dealing with the composition of the agricultural capital the value or price of the land does not enter into this. The latter is nothing but the capitalist rent.

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[a] This paragraph is in English in the manuscript.—Ed.

[b] In the manuscript:"First. The".—Ed.

[Chapter XIII] Ricardo's Theory of Rent (Conclusion)

[1. Ricardo's Assumption of the Non-Existence of Landed Property. Transition to New Land Is Contingent on Its Situation and Fertility]

Back to *Ricardo*, Chapter II "*On Rent":*

He begins by presenting the "colonial theory", already known from Smith, and here it is sufficient to state briefly the logical sequence of ideas.

"On the *first settling of a country*, in which there is an *abundance* of rich and fertile land, a *very small proportion of which is required to be cultivated for the support of the actual* population, or indeed *can be cultivated with the capital* which the population can command, there will be *no rent;* for no one would *pay* for the *use* of *land*, when there *was an abundant quantity not yet appropriated*, and, *therefore*," (because *not appropriated*, which Ricardo entirely forgets later on), "at the *disposal of whosoever might choose* to cultivate it." ([David Ricardo, *On the Principles of Political*

Economy, and Taxation, third edition, London, 1821], p. 55.)

<Here the assumption therefore is: no landed property. Although this description of the process is *approximately* correct for the settlings of modern peoples, it is, firstly, inapplicable to developed capitalist production; and [secondly] equally false *if* put forward as the *historical* course of events in the old Europe.>

> "On the common principles of supply and demand, *no rent could be paid for such land*, for the reason stated why nothing is given for the use of air and water, or for any other of the *gifts* of nature which exist in *boundless quantity* ... no charge is made *for* the use of these ||601| natural aids, because they are inexhaustible, and at every man's disposal... If all land had *the same* properties, if it were *unlimited in quantity*, and *uniform in quality*, no charge could be made for its use" (because it could *not* be converted *into private property at* all), "unless where it possessed *peculiar advantages of situation*" (and, he should add, were at the disposal of a proprietor). "It is only, then, because land is *not unlimited* in *quantity* and uniform in quality, and because in the progress of population, land of an *inferior quality*, or *less advantageously situated*, is called into cultivation, that *rent is ever paid for the use of* it. When in the progress of society, land of the second degree of fertility is taken into cultivation, *rent immediately commences on that of the first quality*, and the amount of that *rent will depend on the difference in the quality of these two portions of land*" (l.c., pp. 56-57).

We shall examine this point more closely. The logical sequence is this:

If land, rich and fertile land exists in elemental abundance in practically unlimited quantity compared to the actual population and capital—and

Ricardo *assumes* this on the "*first settling* of a *country" (Smith's* colonial theory)—and if, furthermore, an "abundant quantity" of this land is "*not yet appropriated*" and *therefore*, because it is "*not yet appropriated*", is "*at the disposal of whosoever might choose to cultivate it*" , in this case, naturally, nothing is paid for the use of land, [there is] no rent. If land were [available] "in unlimited quantity"—not only relatively to capital and population, but if it were *in fact* an unlimited element (unlimited like air and water) —then indeed its appropriation by one person could not exclude its appropriation by another. No private (also no "public" or state) property in land could exist. In this case—if all land is of *the same* quality—no rent could be paid for it at all. At most, [rent would be paid] to the possessor of land which "possessed peculiar advantages of situation.

Thus, under the circumstances assumed by Ricardo—namely, that land is "*not appropriated*" and uncultivated land is "*therefore* at the disposal of whosoever might choose to cultivate it"— if rent is paid, then this is only possible because "land is not unlimited in quantity and uniform in quality", in other words, because different types of land exist and land of the same type is "limited". We say that, on Ricardo's assumption, only a differential rent can be paid. But instead of confining it to this, he jumps at once to the conclusion that—quite apart from his assumption of the *non-existence of landed* property—absolute rent is never paid for the use of land, only differential rent.

The whole point therefore is: If land confronts capital in *elemental* abundance, then capital operates in agriculture in *the same* way as in every other branch of industry. There is then no *landed property*, no rent. At most, where one piece of land is more fertile than another, there can be excess profits as in industry. In this case these will consolidate themselves as differential rent,

because of their natural basis in the different degrees of fertility of the soil.

If, on the other hand, land is 1. limited, 2. appropriated, and capital finds *landed* property as a precondition—and this is the case where capitalist production develops: where capital does not find this precondition, as it does in the old Europe, it creates it itself, as in the United States—thus land is from the outset not an elementary field of action for capital. Hence [there is absolute] rent, in addition to differential rent. But in this case also the transitions from one type of land to another—be it ascending: I, II, III, IV or descending IV, III, II, I—work out differently than they did under *Ricardo's assumption*. For the employment of capital meets with the resistance of landed property both in category I and in II, III, IV; and similarly, in the reverse process, when the transition is from IV to III etc. In the transition from IV to III etc., it is not sufficient for the price of IV to rise high enough to enable the capital to be employed in III with an average profit. The price must rise to such an extent that rent can be paid on III. If the transition is made from I to II etc., then it is self-evident that the price which paid a rent for I, must not only pay this rent for II, but a differential rent besides. By postulating the *non-existence of landed property*, Ricardo has not, of course, eliminated the law that arises *with* the *existence* and *from the existence of landed property*.

Having just shown how, *on his assumption*, a differential rent can come into being, Ricardo continues;

> "When land of the third quality is taken into cultivation, rent immediately commences on the second, and it is regulated, as before, by the difference in their productive powers. At the same time, the rent of the first quality will rise, for that must always be above the rent of the second, by the difference between the produce which they yield with a given quantity of capital

> and labour. With every *step in the progress of population, which shall oblige a country to have recourse to land of a worse quality*" (l.c., p. 57)

(which, however, by no means implies *that every step in the progress of population will oblige a country to have recourse to land of worse quality*),

> "to enable it to raise its supply ||602| of food, rent, on all the more fertile land, will rise" (l.c., p. 57).

This is all right.

Ricardo now passes on to [an] example. But, quite apart from other points to be noted later, this example presupposes the *descending line*. This, however, is mere *presupposition*. In order to smuggle it in, he says:

> "On the first settling of a country, in which there is *an abundance of rich and fertile* land[a] ... *not yet appropriated*" (l.c., p. 55).

But the case would [be] the same, if, relatively to the colonists, there was "an abundance of poor and sterile land—not yet appropriated". The non-payment of *rents* does not depend on the richness or fertility of the land, but on the fact that it is unlimited, unappropriated and of uniform quality, whatever might be *that* quality as regards the degree of its fertility. Hence Ricardo himself goes on to formulate his *assumption* thus :

> "If *all land* had *the same* properties, if it were *unlimited in quantity*, and *uniform in quality*, no charge could be made for its use" (l.c., p. 56).

He does not say and cannot say, if it "*were rich and fertile*", because this condition would have *absolutely nothing* to do with the law. If, instead of being rich and fertile, the land were poor and sterile, then each colonist

would have to cultivate a greater proportion of the whole land, and thus, even where the land is unappropriated, they would, with the growth of population, more rapidly approach the point where the practical abundance of land, its actual unlimitedness in proportion to population and capital, would cease to exist.

It is of course quite certain that the colonists will not pick out the least fertile land, but will choose the most fertile, i.e., the land that will produce most, with the means of cultivation at their disposal. But this is not the sole limiting factor in their choice. The first deciding factor for them is the *situation*, the situation near the sea, large rivers etc. The land in West America etc. may be as fertile as any; but the settlers of course established themselves in New England, Pennsylvania, North Carolina, Virginia etc., in short, on the east coast of the Atlantic. If they selected the most fertile land, then they only selected the *most fertile land in this region*. This did not prevent them from cultivating *more fertile* land in the West, at a later stage, as soon as growth of population, formation of capital, development of means of communication, building of towns, made the *more fertile land* in this *more distant* region accessible to them. They do not look for the *most fertile region*, but for the *most favourably situated region*, and within this, of course—given *equal* conditions so far as the situation is concerned—they look for the *most fertile* land. But this certainly does not prove that they progress from the more fertile region to the less fertile region, only that within *the same* region—provided the situation is the same—the more fertile land is naturally cultivated before the unfertile.

Ricardo, however, having rightly *amended* "... abundance of rich and fertile land..." to read land of the "*same properties* [...] unlimited in quantity [...] uniform in quality", comes to his example and from there jumps back into the first false assumption:

> "The most *fertile, and most favourably situated*, land will be *first cultivated*" (l.c., p. 60).

He senses the weakness and spuriousness [in this] and therefore adds the *new* condition to the "most fertile land": "and the most favourably situated", which was missing at the outset. "The most fertile land *within* the most favourable situation" is how it should obviously read, and surely this absurdity cannot be carried so far [as to say] that the region of the country that happens to be the most favourably situated for the newcomers, since it enables them to keep in contact with the mother country and the old folks at home and the outside world, is "the most fertile region" in the whole of the land, which the colonists have not yet explored and are as yet unable to explore.

The assumption of the descending line, the transition from the more fertile to the less fertile region, is thus surreptitiously brought in. All that can be said is this: In the region that is first cultivated, because it is the most favourably situated, *no rent* is paid until, *within* this region, there is a transition from the more fertile to the less fertile land. Now if, however, there is a transition to a second, *more fertile* region than the first, then, according to the assumption, this is *worse situated*. Hence it is possible that the greater fertility of the soil is more than counterbalanced by the greater disadvantage of the situation, and in this case the land of region I will continue to pay rent. But the "situation" is a circumstance which changes historically, according to the economic development, and *must* continually *improve* with the installation of means of communication, the building of towns, etc., and the growth of the population. Hence it is clear that by and by, the product produced in region II will be brought on to the market at a price which will lower the rent in region I again (for the same product), and that in time it will

emerge as the more fertile soil in the measure in which the disadvantage of situation disappears.

||603| It is therefore clear,

that where Ricardo himself states the condition for the formation of differential rent correctly and in general form: "...all land had[b] the *same properties ... unlimited in quantity ... uniform in quality ...*", the circumstance of the transition from more fertile to less fertile land is *not* included,

that this [transition] is also historically incorrect for the settlement in the United States which, in common with Adam Smith, he has in mind; therefore Carey's objections, which were justified on this point,

that Ricardo himself reverses the problem again, by his addendum on "situation": "The most fertile, and *most favourably situated*, land will be first cultivated...",

that Ricardo *proves* his *arbitrary* presupposition by an *example* in which that which is to be proved, is *postulated*, namely, the transition from the best to increasingly worse land,

that, finally <it is true, already with an eye to the explanation of the tendency of the general rate of profit to fall> he presupposes this, because he could not otherwise account for *differential rent*, although the latter in no way depends on whether there is a transition from I to II, III, IV or from IV to III, II, I.

[2. The Ricardian Assertion that Rent Cannot Possibly Influence the Price of

Corn. Absolute Rent Causes the Prices of Agricultural Products to Rise]

In the example, three sorts of land are postulated, Nos. 1, 2, 3, which, with an equal capital investment, yield "a net produce" of 100, 90, 80 quarters of corn. No. 1 is the first to be cultivated

> "in a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No. 1" (l.c., p. 57).

In this case the "whole net produce" belongs to the "cultivator" and "will be the profits of the stock which he advances" (l.c., p. 57). That this "net produce" is immediately regarded as profit of stock, although *no capitalist production* has been postulated in this case <we are not speaking of plantations> is also unsatisfactory here. But it may be that the colonist coming from "the old country", looks at it in this way himself. If the population grows only to such an extent that No. 2 has to be cultivated, then No. 1 bears a rent of 10 quarters. It is of course assumed here that No. 2 and No. 3 are "*unappropriated*" and that their quantity has remained practically "unlimited" in proportion to population and capital. Otherwise there *could* be a different turn to events. Under this assumption, therefore, No. 1 will bear a rent of 10 quarters:

> "For either there must *be two rates of profit on agricultural capital*, or ten quarters, or the value of ten quarters, *must be withdrawn* from the produce of No. 1, for some other purpose. Whether the *proprietor of the land*, or any other person, cultivated No. 1, these ten quarters would equally constitute rent; for the cultivator of No. 2 would get the same result

> with his capital, whether he cultivated No. 1, paying ten quarters for rent, or continued to cultivate No. 2, paying no rent" (l.c., p. 58).

In fact, there would be two rates of profit in agricultural capital, that is, No. 1 supplied an *excess profit* of 10 quarters (which, in this case, *can* consolidate itself as rent). But two pages later, Ricardo himself says that not only two but many very different rates of profit on capital of the same description within *the same sphere of production*, hence also on agricultural capital, are not only possible but inevitable:

> "The most fertile, and most favorably situated, land will be first cultivated, and the exchangeable value of its produce will be adjusted in the same manner as the exchangeable value of all other commodities, by the total quantity of labour necessary in various forms, from first to last, to produce it, and bring it to market. When land of an inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, because more labour is required to produce it.
>
> "The *exchangeable value* of *all* commodities, whether they he manufactured, or the produce of the mines, or the produce of land, *is always regulated*, not by *the less quantity of labour that will suffice for their production under circumstances highly favorable*, and *exclusively enjoyed by those who have peculiar facilities of production;* but by the *greater quantity of labour necessarily bestowed on their production* by *those who have no such facilities;* by those who continue to produce them under the most *unfavorable circumstances;* meaning—by the most unfavorable circumstances, the most unfavorable under which the *quantity of produce required,"* <at the old price> "renders it necessary to carry on the production" (l.c., pp. 60-61).

Thus in each *particular* industry [there are] not only two, but *many rates* of profit, that is to say, deviations from the general rate of profit.

At this point it is not necessary to go into the further details of the example (pp. 58-59), which is concerned with the effect of employing different amounts of capital on the same land. Only these two propositions [to be noted]:

1. "Rent is always the difference between the produce obtained by the employment of two ||604| equal quantities of capital and labour" (l.c., p. 59).

In other words, there is only a differential rent (according to the assumption that there is no *landed property*). For:

2. "there cannot be two rates of profit" (l.c., p. 59).

> "It is true, that on the best land, the same produce would still be obtained with the same labour as before, but its value would be enhanced in consequence of the diminished returns obtained by those who employed fresh labour and stock on the less fertile land. Notwithstanding, then, that the advantages of fertile over inferior lands are in no case lost, but only *transferred* from the cultivator, or consumer, to the landlord, yet, since more labour is required on the inferior lands, and *since it is from such land o n l y that we are enabled to furnish ourselves* with the *additional supply* of raw produce, the comparative value of that produce will continue *permanently* above its former level, and make it exchange for more hats, cloth, shoes, etc. [...], in the production of which no such additional quantity of labour is required.
>
> "The reason then, *why* raw *produce rises in comparative value*, is because more labour is employed in the production of the last portion obtained, and *not because a rent is paid to the landlord*. The *value of corn is regulated* by the

> quantity of labour bestowed on its production on that quality of land, or with that portion of capital, which pays no rent. *Corn is not high because a rent is p a i d, but a rent is paid because corn is high;* and it has been *justly* observed, that *no reduction would take place in the price of corn, although landlords should forego the whole of their rent*. Such a measure would only enable some farmers to live like gentlemen, but would not diminish the quantity of labour necessary to raise raw produce on the least productive land in cultivation" (l.c., pp. 62-63).

My earlier explanations render it unnecessary to expand here on the erroneousness of the proposition that "the value of corn is regulated by the quantity of labour bestowed on its production on that quality of land ... which pays no rent" (l.c., p. 63). I have shown that whether the last type of land pays rent, [or] pays no rent, [whether it] pays the whole of the absolute rent, [only a] part of it, or it pays besides the absolute rent a differential rent (if the line is ascending), partly depends on the direction of the line, whether it is ascending or descending, and at all events, it depends on the relative composition of agricultural capital as compared with the composition of nonagricultural capital and, if as a result of the difference in this composition absolute rent is presupposed, the above cases depend on the state of the market. But the Ricardian case in particular can only occur under two circumstances (although even then *fermage* can yet be paid, though no rent); either when landed property does not exist, in law or in fact, or when the best land provides an additional supply which can only find its place within the market if there is a fall in market-value.

But there is more besides which is wrong or one-sided in the above passage. The comparative value—which here means nothing but market-value—of raw produce can rise for reasons other than the above. [Firstly] if, up to now,

it was sold below its value, perhaps below its cost-price; this is always the case in a certain state of society, where the production of raw produce is as yet largely directed to the subsistence of the cultivator (also in the Middle Ages, when the product of the town secured a monopoly price); secondly, it can also happen when the raw produce—in *contrast* to the other commodities which are sold at their cost-price—is not yet sold at its value.

Finally, it is correct to say that it makes no difference to the price of corn if the landlord forgoes the differential rent and the farmer pockets it. But this does not apply to absolute rent. It is wrong to say here that landed property does *not* enhance the price of the raw produce. On the contrary the price goes up because the intervention of landed property causes the raw produce to be sold at its *value* which exceeds its *cost-price*. Supposing, as above, that the average non-agricultural capital consists of 80c+20v and the surplus-value is 50 per cent, then the rate of profit is 10 [per cent] and the value of the produce is 110, The agricultural ||605| capital on the other hand consists of 60c+40v, the value [of the produce] is 120. The raw produce is sold at this value. If landed property did not exist legally—or in practice, because of the relative abundance of land as in the colonies—then it would be sold at 115. For the total profit of the first and the second capital (i.e., on the 200) equals 30, hence average profit equals 15. The non-agricultural produce would be sold at 115 instead of 110; the agricultural produce at 115 instead of 120. The relative value of the agricultural produce compared with the non-agricultural produce would thus fall by one-twelfth; the *average profit* for both capitals—or the total capital, agricultural as well as industrial—would, however, rise by 50 per cent, from 10 to 15. |605||

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||636| Of his own conception of rent, Ricardo says:

> "I always consider it as the result of a *partial monopoly*, never really regulating price" [l.c., pp. 332-33]

(that is, never acting as a *monopoly*, hence also never the *result* of monopoly. For him the only result of monopoly could be that the rent is pocketed by the owner of the better types of land rather than by the farmer),

> "...but rather as the effect of it. If *all rent were relinquished by landlords*, I am of opinion, that the commodities produced on the land would be no cheaper, because there is always a portion of the same commodities produced on land, for which *no rent* is or can be paid, as the *surplus produce* is only sufficient to pay the profits of stock" (l.c., p. 333).

Here surplus produce is equal to the excess over the product absorbed by the wages. Assuming that certain land never pays rent Ricardo's assertion is only correct if this land, or rather its product, regulates the market-value. If, on the other hand, its product pays no rent because the market-value is regulated by the more fertile land, then this fact proves nothing.

It would, indeed, benefit the farmers if the differential rent were "relinquished by landlords". The relinquishment of absolute rent, on the other hand, would reduce the price of agricultural products and increase that of industrial products to the extent that the average profit grew by this process. |636||

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||605| "The rise of rent is *always* the effect of the increasing wealth of the country, *and of the difficulty of providing food for its augmented population*" (l.c., pp. 65-66).

The latter is wrong.

> "Wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where *consequently the progress of rent is slow*" (l.c., pp. 66-67).

The absolute amount of rent can also grow when the *rate of rent* remains the same and only the capital invested in agriculture is growing with the growth of population; it can grow when no rent is paid on I and only a part of the absolute rent on II, but the differential rent has risen considerably as a result of their relative fertility etc. (See the *table*.)

[3. Smith's and Ricardo's Conception of the "Natural Price" of the Agricultural Product]

> "If the high price of corn were the effect, and not the cause of rent, price would be proportionally influenced as rents were high or low, and *rent would be a component part of price*. But that corn which is produced by the greatest quantity of labour is the regulator of the price of corn; and rent does not and cannot enter in the least degree as a *component part of its price*... Raw material enters into the composition of most commodities, but the *v a l u e* of that raw material, as well as corn, is regulated by the *productiveness of the portion of capital last employed on the land, and paying no rent;* and *therefore* rent is not *a component part of the p r i c e of* commodities" (l.c., p. 67).

There is much confusion here, resulting from the jumbling up of "natural *price*" (for that is the price under discussion here) and *value*, Ricardo has adopted this confusion from Smith. In the case of the latter it is relatively correct, because, and in so far as, Smith departs from his own correct explanation of value. Neither rent nor profit nor wages form *a component part of the value* of a commodity. On the contrary, *the value of a commodity being given*, the different parts into which that value may be *divided*, belong either to the category of accumulated labour (constant capital) or wages or profit or rent. On the other hand, when referring to the *natural price* or *cost-price*, Smith can speak of its *component parts* as given preconditions. But by confusing natural price with value, he carries this over to the value of the commodity.

Apart from the fact that the raw material and machinery (in short the constant capital) enter into production with a *fixed* price, which to the capitalist in each particular sphere of production appears as determined from outside, there are two things the capitalist must do when calculating the price of his commodity: he has to add the *price of the wages*, and this also appears to him as given (within certain limits). The *natural price* of the commodity is not the *market-price* but the average market-price over a long period, or the central point towards which the market-price gravitates. In this context therefore the *price of wages* is on the whole determined by the value of labour-power. But the *rate of* profit—the natural rate of profit—is determined by the *value* of the aggregate of commodities created by the aggregate of capitals employed in non-agricultural industry. For it is the excess of this value over the value of the constant capital contained in the commodity plus the value of wages. The total surplus-value which the total capital creates, forms the absolute amount of profit. The ratio of this absolute amount to the whole

capital advanced determines the general rate of profit. Thus this general rate of profit too, appears—not only to the individual capitalist, but to the capital in each particular sphere of production—to be determined externally. The capitalist must add the general profit, say of 10 per cent, ||606| to the price of the raw material, etc., contained in the product, and the natural price of wages thus— as it must appear to him by way of addition of component parts, or by composition—to form the natural price of a given commodity. Whether the natural price is paid, or more, or less, depends on the level of the market-price prevailing at the time. Only wages and profit enter into *cost-price* as distinguished from *value;* rent enters only in so far as it is already contained in the price of the expended raw material, machinery, etc. That is, it does not enter as rent for the capitalist, to whom, in any case, the price of raw produce, machinery, in short of the constant capital, appears as a *predetermined total.*

Rent does not enter into *cost-price* as a component part. If, in special circumstances, the agricultural product is sold at its cost-price, then *no rent exists*. *Economically* landed property does not then exist for capital, that is, when the product of the type of land that sells at the cost-price, regulates the market-value of the product of its sphere. (The position in I, Table *D* is different.)

Or (absolute) *rent exists*. In this case the agricultural product is sold *above* its *cost-price*. It is sold at its *value*, which is above its *cost-price*. Rent, however, enters into the *market-value* of the product, or, rather, forms a part of the market-value. But to the farmer rent appears as predetermined, in the same way as profit does to the industrialist. It is determined by the excess of the *value* of the agricultural product over its *cost-price*. The farmer, however, calculates just like the capitalist: First the outlay, secondly wages, thirdly the average profit, finally the rent, which likewise appears to

him as fixed. This is *for him* the natural price of wheat, for instance. Whether he obtains it, depends, in turn, on the prevailing state of the market.

If the *distinction* between *cost-price* and *value* is properly maintained, then rent can *never* enter into cost-price as a *constituent part*, and one can talk of constituent parts only in relation to the cost-price as distinguished from the value of the commodity. (Like excess profit, differential rent never enters into *cost-price*, because it is nothing but the excess of the market cost-price over individual cost-price, or the excess of the market-value over individual value.)

Accordingly, Ricardo is in substance right when, in opposition to Adam Smith, he declares that rent *never* enters into cost-price. But again he is wrong in that he proves this, not by differentiating between cost-price and value, but by identifying the two, as Adam Smith did, for neither rent nor profit, nor wages form *constituent parts of value*, although value is dissolvable into wages and profits and rent, and, furthermore, the three parts are of equal importance, *if* all three exist. Ricardo reasons thus: Rent forms no constituent part of the natural price of agricultural produce, *because* the price of the product of the worst land, which is equal to the *cost-price* of this product, and to the *value of this product*, determines the market-value of agricultural produce. Thus rent forms no [constituent] part of the value because it forms no [constituent] part of the *natural price* and this latter is equal to *value*. This however is wrong. The price of the product grown on the worst land equals its *cost-price*, either because this product is sold *below* its value—therefore not as Ricardo says, because it is sold *at its value—or* because the agricultural product belongs to that type, to that class, of commodities in which, *by way of exception*, value and cost-price are *identical*. This is the case when the surplus-value which is made in a

particular sphere of production on a given capital, of say £ 100, happens to coincide with the surplus-value which on the average falls to *the same* relative portion of the total capital (say £ 100). This then is Ricardo's confusion.

As to *Adam Smith:* in so far as he identifies cost-price with value, he is justified, on the basis of this false assumption, in saying that rent, as well as profit and wages, form "constituent parts of the natural price". On the contrary it is rather inconsistent that later in his further exposition he asserts that rent does not enter into the natural price in the same way as wages and profits. He commits this inconsistency because observation and correct analysis compel him nevertheless to recognise that there is a difference in the determination of the natural price of non-agricultural produce and the market-value of agricultural produce. But more about this when discussing Smith's theory of rent.

[4. Ricardo's Views on Improvements in Agriculture. His Failure to Understand the Economic Consequences of Changes in the Organic Composition of Agricultural Capital]

||607| "We have seen, that with every portion of additional capital which it becomes necessary to employ on the land with a less productive return, rent would rise."

(But not every portion of additional capital yields a less productive return.)

> "It follows from the same principles, that any circumstances in the society which should make it unnecessary to employ the same amount of capital on the land, and which should therefore make the portion last employed more productive, would lower rent" (l.c., p. 68).

That is [lower] absolute rent, not necessarily differential rent. (See Table *B*.)

Such circumstances might be the "reduction in the capital of a country" followed by a reduction in the population. But also a higher development of the productive powers of agricultural labour.

> "The same effects may however be produced, when the wealth and population of a country are increased, if that increase is accompanied by such marked improvements in agriculture, as shall have the same effect of diminishing the necessity of cultivating the poorer lands, or of expending the same amount of capital on the cultivation of the more fertile portions" (l.c., pp. 68-69).

(Oddly enough, Ricardo forgets here: improvements as shall have the effect of improving the quality of poorer lands and converting these into richer ones, an aspect stressed by Anderson.)

The following proposition of Ricardo's is entirely wrong:

> "With the same population, and no more, there can be no demand for any additional quantity of corn" (l.c., p. 69).

Quite apart from the fact that, with a fall in the price of corn, an additional demand for other raw produce, green vegetables, meat, etc., will spring up and that schnaps,

etc., can be made from corn, Ricardo assumes here that the entire population consumes as much corn as it likes, This is wrong.

{"Our enormous increase of consumption in 1848, 49, 50, shows that we were previously *underfed*, and that prices were forced up by the deficiency of supply." (F. W. Newman, *Lectures on Political Economy*, London, 1851, p. 158.)

The same Newman says:

> "The Ricardo argument," that rent cannot enhance price, "turns on the assumption that the power of demanding rent can in no case of real life *diminish supply*. But why not? There are very considerable tracts which would immediately have been cultivated if no rent could have been demanded for them, but which were *artificially kept vacant*, either because landlords could let them advantageously as shooting ground, or [...] prefer the [...] romantic wilderness to the[c] petty and nominal rent which alone they could get by allowing them to be cultivated." (l.c., p. 159.) }

Indeed, [it is] in any case wrong to say that if he withdraws the land from the production of corn, he may not get a rent by converting it into pasture or building grounds or, as in some counties in the highlands of Scotland, into artificial woods for hunting purposes.

Ricardo distinguishes two kinds of improvements in agriculture. The *one* type

> "[those which] ... increase the *productive powers of the land* ... [are] *such as the more skilful rotation of crops, or the better choice of manure*. These improvements absolutely enable us to obtain the same produce from a smaller quantity of land." (David Ricardo, *On the Principles of Political Economy, and Taxation*, third edition, London, 1821, p. 70.)

In this case, according to Ricardo, the rent *must fall*.

> "If, for example, the successive portions of capital yielded 100, 90, 80, 70; whilst I employed these four portions, my rent would be 60, or the difference between

70 and 100 = 30		100
70 and 90 = 20		90
70 and 80 = 10	whilst the produce would be [340]	80
		70
60		340

> and while I employed these portions, the *rent would remain the same*, although the produce of each should have an *equal* augmentation."
>
> (If it had an *unequal* augmentation, it would be possible for the rent to rise *despite the increased* fertility.)
>
> "If, instead of 100, 90, 80, 70, the produce should be increased to 125, 115, 105, 95, the rent would still be 60, or the difference between

||608| 95 and 125 = 30		125
95 and 115 = 20	whilst the produce would be	115
95 and 105 = 10	increased to 440	105
		95
60		440

> "But with such an increase of produce, *without an increase of demand*, there could be no motive for employing so much capital on the land; one portion would be withdrawn, and consequently the last portion of capital would yield 105 instead of 95, and rent would fall to 30, or the difference between

105 and 125 = 20		125
105 and 115 = 10	whilst the produce will be still adequate to the wants of the population, for it would be 345 quarters …	115
		105
30		345”

(l.c., pp. 71-72).

Apart from demand being able to rise without a growth in population when the price falls (Ricardo himself assumes that it has risen by 5 quarters), there is a constant going over to soils of decreasing fertility, because the population grows every year, i.e., the part of the population that consumes corn, eats bread, and this part grows more rapidly than the population [as a whole], because bread is the chief means of subsistence of the majority. It is thus not necessary to assume that the demand does not grow with the productivity of capital, and that consequently the rent falls. And the rent can rise, if the difference in the degree of fertility has been unevenly affected by the improvement.

Otherwise it is certain (Tables B and E), that the increase in fertility—while demand remains constant—can not only throw the worst land out of the market but can even force a part of the capital on better land (Table B) to withdraw from the production of corn. In this case the corn rent falls, if the augmentation of the produce is equal on the different types of land.

Now Ricardo passes on to the second aspect of agricultural improvements.

> “But there are improvements which may lower the relative value of produce without lowering the corn rent, though they will lower the money *rent of land.* Such improvements do not increase the productive powers of the land; but they enable us to obtain its

> produce *with less labour*. They are rather directed to the *formation of the capital applied to the land*, than to the *cultivation of the land itself*. *Improvements in agricultural implements*, such as the plough and the thrashing machine, economy in the use of horses employed in husbandry, and a better knowledge of the veterinary art, are of this nature. *Less capital*, which *is the same thing as less labour*, will be employed on the land; but to *obtain the same produce, less land cannot be cultivated*. Whether improvements of this kind, however, affect *corn rent*, must depend on the question, whether the difference between the produce obtained by the employment of different portions of capital be increased, stationary, or diminished" (l.c., p. 73).

<Ricardo should also have adhered to this when dealing with the *natural fertility of the soils*. Whether the transition to these reduces the differential rent, leaves it stationary, or increases it, depends on whether the difference in the produce of the capital employed on these different more fertile soils, be increased, stationary, or diminished.>

> "If four portions of capital, 50, 60, 70, 80, be employed on the land, giving each *the same results*, and any improvement in the formation of such capital should enable me to withdraw 5 from each, so that they should be 45, 55, 65 and 75, no alteration would take place in the corn rent; but if the improvements were such as to enable me to make the whole saving on that portion of capital, which is least productively employed, corn rent would immediately fall, because the difference between the capital most productive, and the capital least productive, ||609| would be diminished; and *it is this difference which constitutes rent*" (l.c., pp. 73-74).

This is correct for *differential rent*, which alone exists for Ricardo.

On the other hand, Ricardo does not touch upon the real question at all. For the solution of this question it does not matter whether the value of the individual quarter falls or whether the same *quantity of land*, the same types of land as previously, needs to be cultivated, but whether as a result of the *reduction in the price of constant capital—which*, according to the assumption, costs less labour—the quantity of immediate labour employed in agriculture is *reduced, increased* or *unaltered*. In short, whether or not the capital undergoes an organic change.

Let us take our example from Table *A* (page 574, notebook XI) and let us substitute quarters of corn for tons.

It is assumed here that the composition of the non-agricultural capital is £ 80c+£ 20v, that of the agricultural capital £ 60c+£40v, the rate of surplus-value in both cases being 50 per cent. Hence the rent on the agricultural capital, or the excess of its value over its cost-price, is £ 10. Thus we have the following:

Class	Capital £	Qrs. of corn	Total value £	Market-value per qr. £	Individual value per qr.
I	100	65	120	2	£2=40s.
II	100	65	130	2	£1 11/13 = £1 16 12/13 s.
III	100	75	150	2	£1 3/5 = £ 1 12s.
Total	300	200	400		

	Differential value per qr.	Cost-price per qr.	Absolute rent £	Differential rent £
I	0	£1 5/6 = £1 16 2/3 s.	10	5
II	£2/13 = 31/13 s.	£1 9/13 = £13 11/13 s.	10	10

III	£$^{2}/_{5}$ = 8s.	£1$^{7}/_{15}$ = £1 9$^{1}/_{3}$s.	10	20

			30	35
	Absolute in per qr.	Differential rent in qr.	Rental £	Rental in qrs.
I	5	0	10	5
II	5	5	20	10
III	5	15	40	20
	15	20	70	35

In order to examine the problem in its pure form, one must assume that the *magnitude of the capital employed in I, II, III* is in all three classes affected *equally* by the reduction in the price of *constant capital* (100). For the *uneven* effect only concerns differential rent, and has nothing to do with the matter in hand. Supposing, therefore, that as a result of *improvements*, the same amount of capital, which previously cost £ 100, now only costs 90, it would thus be reduced by one-tenth, or 10 per cent. The question is then how the improvements affect the composition of agricultural capital.

If the proportion of capital used as wages [to constant capital] remains the same, then if [£] 100 consists of £ 60c+£40v, £ 90 consists of £ 54c+£ 36v, and in this case the value of the 60 quarters on land I is £ 108. But if the *reduction in price* were such that the same constant capital which previously cost £ 60, now only cost £ 54, but that *v* (or the capital laid out in wages) now only cost £ 32 $^{2}/_{5}$ instead of 36 (had also fallen by $^{1}/_{10}$) , then £ 86 $^{2}/_{5}$ would be laid out instead of £ 100. The composition of this capital would be 54c+32 $^{2}/_{5}$v. And reckoned on £ 100, the composition would be £ 62 $^{1}/_{2}$c+£ *37 $^{1}/_{2}$v*. Under these circumstances, the value of the 60 quarters on I would be equal to £ 102 $^{3}/_{5}$. Finally, let us assume that although the value of the constant capital decreases, the capital laid out in wages remains *the same* absolutely, it therefore grows in *proportion* to the constant capital; so that the capital

of £ 90 which has been laid out consists of 50c+40v, the composition of [a capital of] 100 would be $55\,^{5}/_{9}c+44\,^{4}/_{9}v$.

Now let us see what happens to corn and money rent in these three cases. In case *B* the proportion of *c* to *v* remains the same although the value of both decreases. In *C* the ||610| value of c decreases, but proportionately, that of *v* decreases even more. In *D*, only the value of c decreases, not that of *v*.

First let us reproduce the original table contained on the previous page [and then let us compare it with the new tables *B*, *C* and *D*, representing the cases just described illustrating changes in value of the organic component parts of the agricultural capital][d]

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||611| From the accompanying table it is evident that :

Originally in *A* the ratio is £ 60c+£ 40v; the capital invested m each class is 100. The rent in money amounts to £ 70, in corn to 35 quarters.

In *B* the constant capital becomes cheaper so that only £ 90 [are] invested in each class, the variable capital however becomes cheaper in the same proportion, so that the *ratio* remains the same. Here the *money rent* falls, the corn rent remains the same; [the] *absolute rent* is also *the same*. Money rent decreases because the capital invested decreases. Corn rent remains the same, because less money [produces relatively] more corn the ratio remaining the same.

In *C* cheaper constant capital; but [the value of] v decreases even more, so that the constant capital becomes relatively dearer. *Absolute rent* falls. Corn rent falls and money rent falls. Money rent, because capital in general has decreased significantly, and corn rent, because absolute rent has fallen while the differences (between the

various categories] have remained the same, therefore all of them fall equally.

In *D*, however, the case is completely the reverse. Only the constant capital falls; the variable capital remains the same. *This was Ricardo's assumption.* In this case, because of the fall in capital, the money rent falls, though the fall is quite insignificant, in absolute figures it is only [£] 1/3, but in proportion to the capital laid out, it rises considerably. The corn rent, on the other hand, grows absolutely. Why? Because the absolute rent has risen from 10 to 12 2/9 per cent, because v has grown in proportion to *c*. Hence:

Capital	Absolute rent per cent	Absolute rent £	Differential rent £	Absolute rent qrs.	Differential rent qrs.	Rental £	Rental qrs.
A) 60c+40v	10	30	40	15	20	70	35
B) 54c+36v (60c+40v)	10	27	36	15	20	63	35
C) 54c + 32 2/5v (62 1/2c+37 1/2v)	8 3/4	22 17/25	34 1/5	13 5/19	20	56 2 2/25	33 5/19
D) 50c+40v (55 5/9c+44 4/9v)	12 2/9	33	36 2/3	18	20	69 2/3	38

Ricardo continues:

> "Whatever diminishes the *inequality in the produce* obtained from successive portions of capital employed on the same or on new land, tends to lower rent; and [...] whatever *increases that inequality*, necessarily

> produces an opposite effect, and tends to raise it" (l.c., p. 74).

The inequality can be increased, while capital is withdrawn and while fertility increases, or even while the less fertile land is thrown out of the market.

{Landlord and capitalist. In a leader of 15th July, 1862, the *Morning Star* [examines] whose duty it is (voluntarily or compulsorily) to support the distressed (as a result of the cotton famine and the civil war in America) workmen in the cotton manufacture districts of Lancashire, etc. It says:

> "These people have a legal right to maintenance *out of the property they have mostly created by their industry*... It is said that the men who have made fortunes by *the* cotton industry are those upon whom it is especially incumbent to come forward with a generous relief. No doubt it is so ... the mercantile and manufacturing sections [...] have done so... But are these the only class which has made money by the cotton manufacture? Assuredly not. The landed proprietors of Lancashire and North Cheshire have enormously participated in the wealth thus produced. And it is the peculiar advantage of these proprietors to have participated in the wealth without lending a hand or a thought to the industry that [...] created it... The mill-owner has given his capital, his skill, and his unwinking vigilance to the ||612| creation of this great industry, now staggering under so heavy a blow; the mill-hand has given his skill, his time, and his bodily labour; but what have the landed proprietors of Lancashire given? Nothing at all—literally nothing; and yet they have made from it more substantial gains than either of the other classes ... it is certain that the increase of the yearly income of these great landlords, attributable to this single cause, is something enormous, probably not less than threefold."

The capitalist is the direct exploiter of the workers, not only the direct appropriator but the direct creator of *surplus-labour*. But since (for the industrial capitalist) this can only take place through and in the process of production, he is himself a functionary of this production, its director. The landlord, on the other hand, has a claim—through landed property (to absolute rent) and because of the physical differences of the various types of land (differential rent)-which enables him to pocket a part of this surplus-labour or surplus-value, to whose direction and creation he contributes nothing. Where there is a conflict, therefore, the capitalist regards him as a mere super-fetation, a Sybarite excrescence, a parasite on capitalist production, the louse that sits upon him.}

Chapter III "On *the Rent of Mines*" [David Ricardo, *On the Principles of Political Economy, and Taxation*, third edition, London, 1821, p. 76].

[Class]	Capital £	Qrs.	Total value TV £	Market value MV per qr.	[Individual value] IV per qr.	[Differential value] DV per qr.	Cost-price per qr.	[Absolute rent] AR qrs.	[Differential rent] DR £	[Absolute rent] AR £	[Differential rent] DR qrs.	Rental £	Rental qrs.	[Composition of capital and rate of absolute value]
A														
I	100	60	120	£2 [=	£2[=4	0	£1⅝ =	10	0	5	0	10	0	60c +40v for [a

				40s.]	0s.]	£116⅔s.							non-industrial capital of £100]
II	100	65	130	£2[=40s.]	£1 11/13 = £1 16 12/13s.	£2/13 = 3 1/13s.	£1 9/13 = £1 13 11/13s.	10	10	5	5	20	10	80c +20v for an industrial capital of [£100]
III	100	75	150	£2[=40s.]	£1 3/5 = £1 12s.	£2/5 =8s.	£1 7/15 = £1 9 1/3s.	10	30	5	15	40	20	Absolute rent 10 percent
Total B	300	200	400					30	40	15	20	15	35	20
I	90	60	108	£1 4/5 = £1 11	£1 4/5 = £1 16s.	0	£1 39/60 = £1	9	0	5	0	9	5	54c +36v for £90

				6 s.			3 s. £ 1 34/65 = £1 10 6/13 s.						
I	90	65	117	£ 14/5 = £1 16 s.	£1 43/65 = £1 13 3/13 s.	[£ 9/65 =] 2 10/13 s.		9	9	5	5	18	10	60c +40v for £100
III	90	75	135	£ 14/5 = £1 16 s.	£1 33/75 = £1 8 4/5 s.	[£ 9/25 =] 7 1/5 s.	£ 12 4/75 = £1 6 2/5 s.	9	27	5	15	36	20	Absolute rent 10 percent
Total C	270	200	360					27	36	15	20	63	35	
I	86 2/5	60	102 3/5	[£ 171/100 = £1 14/5 s.]	[£ 171/100] = £1 14 1/5 s.	0	[£ 173/125 =] £1 11 17/2	7 14/25	0	4 8/19	0	7 14/25	4 8/19	54c +32 2/5v for £86 2/5

I I	86 2/5	65	1113 1/20	[£171 1/100 = £1141/5 s.]	[£1188/325 = £11137/65s.]	[£171/1300 = 241/65 s.]	5s. [£1751/1625 = £1979/325 s.	71 4/25	811/20	48/19	[5]	[16 11/100]	[98/19]	62 1/2 c+37 1/2v for £100
I I I	86 2/5	75	1281/4	[£171/100 = £1141/5 s.]	[£146/125 = £179/25 s.]	[£171/500 = 621/25 s.]	[£1167/625 = £1543/125 s.	71 4/25	2513/20	48/19	[15]	[3321/100]	[198/19]	[Capital] £100=[value of the product] £118 3/4. Hence absolute rent 8 3/4 per cent
Total D I	2591/5 90	200 60	342 110	£15/6	£1 5/6 =	0	[£11	22 17/25 11	34 1/5 0	13 5/19 6	20 0	5622/25 11	335/19 6	50c +40

				= [£116⅔s.]	[£116⅔s.]		¾0 =] £113s.							v = £90
II	90	65	119⅙	£1⅝ = [£116⅔s.]	[£19/13 = £113 11/13s.]	[£1 1/78 = 232/39 s.]	[£13 4/65 = £110 6/13s.	11	9⅙	6	[5]	20⅙	[11]	55 5/9c+44 4/9v = £100
III	90	75	137½	£1⅝ = [£116⅔s.]	[£17/15 = £17⅓s.]	[£1 1/30 = 7⅓s.]	[£18/25 = £16⅔s.	11	27½	6	[15]	38½	[21]	[Capital] £100=[value of the product] £122⅔. Absolute rent 12⅔ per cent
Tot	270	200	3661					33	36⅔	18	20	69⅔	38	

Here again:

> "... this rent" (of mines) "as well as the rent of land, is the effect, and never the cause of the *high value* of their produce" (l.c., p. 76).

So far as absolute rent is concerned, it is neither effect nor cause of the "*high value*", but the effect of the excess of value over cost-price. That this excess is paid for the produce of the mine, or the land, and thus absolute rent is formed, is the effect, not of that *excess*, because it exists for a whole class of trades, where it does not enter into the price of the produce of those particular branches of production, but is the effect of *landed property*.

In regard to *differential rent* it may be said, that it is the effect of "*high value";* so far as by "high value" is understood the excess of the market-value of the produce over its real or individual value, for the relatively more fertile classes of land or mine.

That Ricardo understands by the "exchangeable value" regulating the produce of the poorest land or mine, nothing but *cost-price*, by cost-price nothing but the advances plus the ordinary profit, and that he falsely identifies this cost-price with real value, will also be seen from the following passage:

> "The metal produced from the poorest mine that is worked, must at least have an exchangeable value, not only sufficient to procure all the clothes, food, and other necessaries consumed by those employed in working it, and bringing the produce to market, but *also to afford the common and ordinary profits* to him who advances the stock necessary to carry on the undertaking. The return for capital from the poorest mine paying no rent, would regulate the rent of all the other more productive mines. *This mine is supposed*

> *to yield the usual profits of stock. All that the other mines p r o d u c e m o r e than t h i s*, will necessarily be paid to the owners for rent" (l.c., pp. *76-77*).

Here, therefore, [he says] in plain language: rent equals *excess* of *the price (exchangeable value is the same here) of the agricultural produce over its cost-price*, that is over the value of capital advanced plus the usual (average) profits of stock. Hence, if the *value* of the agricultural produce is higher than its cost-price, it can pay rent quite irrespectively of differences in land, the poorest land and the poorest mine can pay the same absolute rent as the richest. If its *value* were no higher than its cost-price, rent could only arise from the excess of the market-value over the real value of the produce derived from relatively more fertile soils, etc.

> "*If equal quantities of labour, with equal quantities of fixed capital*, could at all times obtain, from that mine which paid no rent, *equal quantities of* gold... *The quantity*" (of gold) "indeed would *enlarge with the demand*, but *its value would be invariable*" (l.c., p. 79).

What applies to gold and mines, applies to corn and land. Hence if the same types of land continued to be exploited and continued to yield the same product for the same outlay in labour ||613|, then the *value* of the pound of gold or the quarter of wheat would remain the same, although its quantity would increase with the *demand*. Thus *its rent* (the amount, not the rate of rent) [would] also *grow* without any change in the price of produce. More capital would be employed, although productivity would remain constant. This is one of the major causes of the rise in the absolute amount of rent, quite apart from any rise in the price of produce, and, therefore, without any proportional change in the rents paid by produce of different soils and mines.

[5. Ricardo's Criticism of Adam Smith's and Malthus's Views on Rent]

Chapter XXIV "Doctrine of Adam Smith concerning the Rent of Land."

This chapter is of great importance for the difference between Ricardo and Adam Smith. We shall postpone a fuller discussion of this (in so far as it affects Adam Smith), to when we consider *ex professo* Adam Smith's doctrine after that of Ricardo.

Ricardo begins by quoting a passage from Adam Smith showing that he correctly determined when the price of the agricultural produce yields a rent and when it does not. But on the other hand Smith thought that some parts of the produce of land, such as food, must always yield a rent.

In this context Ricardo says the following, which is significant for *him:*

> "I believe that as yet in every country, from the rudest to the most refined, there is land of such a quality that it cannot *yield a produce more than sufficiently valuable* to replace the stock employed upon it, together with the *profits ordinary and usual* in that country. In *America* we all know that is the case, and yet no one maintains that the principles which regulate rent, are different in that country and in Europe" (l.c., pp. 389-90).

Indeed, these principles are substantially "different". Where *no landed property* exists—actual or legal—no absolute rent can exist. It is absolute rent, not

differential rent, which is the adequate expression of landed property. To say that *the same* principles regulate rent, where landed property exists and where it does not exist, means that the *economic form of land-ed property* is independent of whether landed property exists or not.

Besides, what is the meaning of "there is land of such a quality that it cannot yield a produce more than *sufficiently valuable* to replace the stock ... with the ordinary profits..." (l.c., pp. 389-390). If the same quantity of labour produces 4 quarters, the product is no more valuable than if it produces two, although the value of the individual quarter is in one case twice as great as in the other. Whether or not it yields a rent, is therefore in no way independent on the magnitude of this "value" of the produce as such. It can only yield a rent if its value is higher than its cost-price, which depends on the cost-price of all other products or, in other words, on the quota of unpaid labour which is, on an average, appropriated by a capital of £ 100 in each sphere of production. But whether its value is higher than its cost-price is in no way dependent on its absolute size, but on the composition of the capital employed on it, compared with the average composition of the capital employed in non-agricultural industry.

> "But if it were true that England had so far advanced in cultivation, that at this time there were no lands remaining which did not afford a rent, it would be equally true, that there formerly must have been such lands; and that whether there be or not, is of no importance to this question, for it is the same thing if there be any capital employed in Great Britain on land which yields only the return of stock with its ordinary profits, whether it be employed on old or on new land. If a farmer agrees for land on a lease of seven or fourteen years, he may propose to employ on it a capital of £10,000, knowing that at the existing price of grain and raw produce, he can replace that part of his

> stock which he is obliged to expend, pay his rent, and obtain the general rate of profit. He will not employ £ 11,000, unless the last £1,000 can be employed so productively as to afford him the usual profits of stock. In *his calculation, whether he shall employ it or not, he considers only whether the price of raw produce is sufficient to replace his expenses and profits, for he knows that he shall have no additional rent to pay*. Even at the expiration of his lease his rent will not he raised; for if his landlord should require rent, because this additional £1,000 was employed, he would withdraw it; since, by employing it, he gets, by the supposition, only the ordinary and usual profits which he may obtain by any other employment of stock; and, therefore, he *cannot afford to pay rent for it*, unless the *price of raw produce should further rise*, or, *which is the same thing*, unless *the usual and general rate of profits should fall*" (l.c., pp. 390-91).

Ricardo admits here that also the worst land *can* bear a rent. How does he explain this? To provide the additional supply which has become necessary in consequence of an additional demand, a second amount of capital is employed on the worst land ||614|. This will only yield the cost-price if the price of grain is rising. Hence the first amount would now yield a surplus—that is rent—over and above this cost-price. In fact therefore *before* the second amount is invested the *first amount* of capital yields a rent *on the worst* land, because the market-value is above the cost-price. Thus the only question is whether, for this to happen, the market-value has to be *above* the value of the worst product, or whether on the contrary its *value* is *above* its *cost-price*, and the rise in price merely enables it to be sold at *its value*.

Furthermore: Why must the *price* be so high that it equals the cost-price, i.e., the capital advanced plus average profit? Because of the competition of capitals in the different branches of production and the transfer of

capital from one branch to another. That is, as a result of the action of capital upon capital. But by what action could capital compel landed property to allow the value of the product to fall to the cost-price? Withdrawal of capital from agriculture cannot have this effect, unless it is accompanied by a fall of the demand for agricultural produce. It would achieve the reverse, and cause the market-price of agricultural produce to rise above its value. Transfer of new capital to land cannot have this effect either. For it is precisely the competition of capitals amongst themselves, which enables the landlord to demand from the individual capitalist that he should be satisfied with "an average profit" and pay over to him the overplus of the value over the price affording this profit.

But, it may be asked: If landed property gives the power to sell the product *above* its cost-price, *at* its value, why does it not equally well give the power to sell the product *above* its value, at an arbitrary monopoly price? On a small island, where there is no foreign trade in corn, the corn, food, like every other product, could unquestionably be sold at a monopoly price, that is, at a price only limited by the state of demand, i.e., of *demand backed by ability to pay*, and according to the price level of the product supplied the magnitude and extent of this effective demand can vary greatly.

Leaving out of account exceptions of this kind—which cannot occur in European countries; even in England a large part of the fertile land is *artificially* withdrawn from agriculture and from the market in general, in order to raise the value of the other part—landed property can only affect and paralyse the action of capitals, their competition, in so far as the competition of capitals modifies the determination of the *values of the commodities*. The conversion of values into cost-prices is only the consequence and result of the development of capitalist production. Originally commodities are (on the

average) sold at their values. Deviation from this is in agriculture prevented by landed property.

Ricardo says that when a farmer takes land on a lease of seven or fourteen years, he calculates that with a capital investment of, say, £ 10,000, the *value of the corn* (average market-value) permits him to replace his outlay plus average profit, plus the contracted rent. In so far as he takes a "lease" of a piece of land, therefore, his first consideration is the average market-value, which is equivalent to the value of the product; profit and rent are only parts into which this value is *resolved*, but they do not constitute it. The *existing market-price* is for the capitalist what the presupposed *value* of the product is for the theory and the inner relationships of production. Now to the conclusion which Ricardo draws from this. If the farmer adds another £ 1,000, he only considers whether, at the *given market-price*, it yields him the usual profit. Ricardo therefore seems to think that the *cost-price* is the determining factor and that *profit* enters into this cost-price as a regulating element, but *rent* does not.

Firstly, profit too does not enter into it as a constituent element. For, according to the assumption, the farmer takes the *market-price* as his starting-point, and weighs up whether, at this given market-price, the £1,000 will yield him the usual profit. This profit is therefore not the cause, but the effect of that price. But—Ricardo continues his train of thought—the investment of the £ 1,000 itself is determined by the calculation of whether or not the price yields the profit. Thus the profit is the decisive factor for the investment of the £ 1,000, and for the price of production.

Furthermore: If the capitalist found that the £ 1,000 did not yield the usual profit, he would not invest it. The production of the additional food would not take place. If it were necessary for the additional demand, then the

demand would have to raise the price, i.e., the market-price, until it yielded the profit. Thus profit—in contradistinction to rent—enters as a constituent element, not because it creates the *value* of the product, but because the product ||615| itself would not be created if its price did not rise high enough to pay the usual rate of profit as well as the capital expended. In *this* case, however, it is not necessary for it to rise so high as to pay rent. Hence, there exists an essential difference between rent and profit, and in a certain sense, it can be said that profit is a constituent element of price, whereas rent is not. (This thought is evidently also at the back of Adam Smith's mind.)

In this case, it is correct.

But why?

Because *in this* case landed property *cannot* confront capital as landed property, thus the very combination [of circumstances] under which rent, absolute rent, is formed, is *not* present—according to the assumption. The additional corn produced with the second investment of £ 1,000, provided *the market-value remains the same*, in other words when an additional demand arises only *on* the assumption that the *price* remains *the same*, must be sold *below* its value at the cost-price. This additional produce of the £ 1,000 thus occurs under the same circumstances as when new worse land is cultivated, which *does not* determine the market-value, but can provide the additional supply only on the condition that it supplies it at the *previously existing* market-value, i.e., at a price *determined independently of this new production*. Under these circumstances it depends entirely on the relative fertility of the additional soil whether it yields a rent precisely because it does *not* determine the market-value. It is just the same with the additional £ 1,000 on the old land. And for this very reason, Ricardo concludes *conversely*, that

the additional land or the additional amount of capital *determines the market-value* because, with a given, quite *independently determined market-value*, the price of its product yields not rent, but only profit, and only covers the cost-price but not the value of the product. This is a contradiction in terms.

Nevertheless, the product is produced *in this case*, although it yields no rent! Certainly. Landed property as an independent opposing element does not exist *for the farmer*, i.e., the capitalist, during the period in which the lease in fact makes him the landowner of the land which he has *rented*. Capital moves unimpeded in this element, and capital is satisfied with the cost-price of the product. Even when the lease expires, the farmer will naturally make the amount of rent dependent on how far capital investment in the land will supply a product which can be sold at its *value* thus yielding a rent. Capital investment which, with the given *market-value*, yields no excess over the cost-price, no more enters into the calculation than would the payment of rent—or contractual undertaking to pay rent—on land whose relative fertility is so low that the market-price is merely equal to the cost-price [of its product].

In practice matters do not always work out in the Ricardian manner. If the farmer possesses some spare capital or acquires some during the first years of a lease of 14 years, he does not demand the *usual profit*, unless he has borrowed additional capital. For what is he to do with the spare capital? Conclude a new lease for additional land? Agricultural production favours to a much higher degree more intensive capital investment, than a more extensive cultivation of land with *a* larger capital. Moreover, if no land could be leased in the immediate vicinity of the old land, two farms would split up the farmer's work of super-intending them to a much greater extent, than six factories would split up the work of one capitalist in manufacture. Or should he invest the

money with the bank, for interest, in government bonds, railway shares, etc.? Then, from the outset, he forgoes at least a half or a third of the usual profit. Hence, if he can invest it as additional capital on the old farm, even below the average rate of profit, say at 10 per cent, if his profit was 12, then, he will still be gaining 100 per cent if the rate of interest is 5 per cent. To invest the additional £ 1,000 in the old farm is, therefore, still a profitable speculation for him. ||616|

Hence it is quite wrong for Ricardo to identify this investment of additional capital with the application of additional capital to new soils. In the first case, the product does not have to yield the usual profit, even in capitalist production. It must only yield as much above the usual rate of interest as will make worth while the trouble and risk of the farmer to prefer the industrial employment of his spare capital to its employment as money capital.

But the following conclusion which Ricardo draws from this observation is, as has been shown, quite absurd.

> "If the comprehensive mind of Adam Smith had been directed to this fact, he would not have maintained that rent forms *one of the component parts of the price of raw produce;* for price is everywhere *regulated by* the return obtained by this last portion of capital, for which no rent whatever is paid" (l.c., p. 391).

His illustration proves just the *reverse:* that the application to land of this last portion of capital has been regulated by a *market-price* which, independent of that application, existed before it took place—and, therefore comprises no rent, but only profit. That profit is the only regulator for capitalist production is quite true. And it is therefore true that no absolute rent would exist if production were regulated *solely* by capital. It arises precisely at the point where the conditions of production

enable the landowner to set up barriers against the exclusive regulation of production by capital.

Secondly, Ricardo reproaches Adam Smith (p. 391, et seq.) for developing the correct principles of rent [only] with regard to coal-mines; [he] even says:

> "The whole principle of rent is here admirably and perspicuously explained, but every word is as applicable to land as it is to mines; yet he affirms that 'it is otherwise in estates above ground…'" (l.c., p. 392).

Adam Smith senses that, under certain circumstances, the landlord has the power to offer effective resistance to capital, to bring landed property into play, and thus to demand absolute rent, though, under different circumstances, he does not possess this power; that in particular however the production of food establishes the law of rent, whereas in other applications of capital to land, the rent is determined by the agricultural rent.

> "The proportion, both of their produce and of their rent, is in proportion" (says Adam Smith) "to their *absolute*, and not to their *relative* fertility" (l.c., p. 392).

In his reply, Ricardo comes closest to the real principle of rent. He says:

> "But, suppose that *there were no land which did not afford a rent; then, the amount of rent on the worst land would be in proportion to the excess of the value of the produce above the expenditure of capital and the ordinary profits of stock:* the same principle would govern the rent of land of a somewhat better quality, or more favourably situated, and, therefore, the rent of this land would exceed the rent of that inferior to it, by the superior advantages which it possessed; the same might be said of that of the third quality, and so on to the very best. Is it not, then, as certain, that it is *the relative fertility of the land*, which determines the portion of the produce, which shall be paid for

> the rent of land, as it is that the *relative fertility of mines*, determines the portion of their produce, which shall be paid for the rent of mines?" (l.c., pp. 392-93.)

Here Ricardo formulates the correct principle of rent, If the worst land pays a rent, if therefore rent is paid independently of the different natural fertility of the land—i.e., absolute rent—then this rent must equal "the excess of the *value* of the produce *above* the expenditure of capital and the ordinary profits of stock" [l.c., pp. 392-93] that is to say, it must equal the excess of the *value* of the produce *above* its cost-price. Ricardo presupposes that such an excess cannot exist, because, in contradiction to his own principles, he wrongly accepts the Smithian doctrine ||617| that value equals cost-price of the produce.

As for the rest, he falls again into error.

Differential rent would of course be determined by the "relative fertility". Absolute rent would have nothing to do with the "natural fertility".

Smith however would indeed be right when he asserts that the *actual* rent paid by the worst land *may* depend on the absolute fertility of the other soils and the relative fertility of the worst soil, or on the absolute fertility of the worst soil and the relative fertility of the other soils.

For the actual amount of rent paid by the worst land depends not, as Ricardo thinks, on the excess of the *value* of its own produce over its cost-price, but on the excess of the *market-value* over its cost-price. But these are very different things If the market-price were determined by the *product of the worst land*, then the market-value would be equal to its real value, hence, the excess of its market-value over its cost-price would be equal to the excess of its own individual value, its real value, over its cost-price. But this is not the case if quite

irrespective of this product the market-price is determined by the other types of land. Ricardo assumes a descending line. He assumes that the worst land is cultivated *last* and is only cultivated (in the case postulated), when the additional demand has necessitated an additional supply at the value of the produce derived from the worst and last cultivated soil. In this case the value of the worst land regulates the market-value. In the ascending line (even according to him) this will only occur when the additional supply of the better sorts of land only equals the additional demand at the old market-value. If the additional supply is greater, Ricardo assumes that the old land must be thrown *out of cultivation*, but it only follows from this that it will yield a *lower rent* than before (or no rent at all).

The same happens in the descending line. Whether, and to what extent, the worse land yields rent, if the additional supply can only by provided at the *old market-value*, depends on how much this market-value stands above the cost-price of the product of the new, worse land. In both cases its rent is determined by the *absolute* fertility, not the relative fertility. It depends on the absolute fertility of the new land how far the market-value of the produce of better lands stands *above* its own real, individual value.

Adam Smith makes a correct distinction here between land and mines, because with the latter he presupposes that there is *never* a transition to worse sorts—always to *better* ones—and that they always provide more than the necessary additional supply. The rent of the worst land is then dependent on its absolute fertility.

> "After Adam Smith has declared that there are some mines *which can only be worked by the owners*, as they will afford only sufficient to defray the expense of working, together with the ordinary profits of the capital employed, *we should expect that he would admit that it was*

these particular mines which regulated the price of the produce from a l l mines. If the old mines are insufficient to supply the quantity of coal required, the *price of coal will rise*, and will continue rising till the owner of a new and inferior mine finds that he can obtain the usual profits of stock by working his[e] mine... It appears, then, that *it is always the least fertile mine which regulates the price of coal*. Adam Smith, however, is of a different opinion: he observes that 'the most fertile coal-mine, too, regulates the price of coals at all the other mines in its neighbourhood. Both the proprietor and the undertaker of the work find, the one, that he can get a greater rent, the other, that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell *at the same price*, though they cannot so well afford it, and though it always diminishes, and sometimes takes away altogether, both their rent and their profit. Some works are abandoned altogether; others can afford no rent, *and can be wrought only by the proprietor*'. If the demand for coal should be diminished, ||617a| or if by new processes the quantity should be increased, the *price would fall*, and some mines would be *abandoned;* but in *every case*, the *price must be sufficient* to *pay the expenses and profit of that mine which is worked without being charged with rent*. It is, *therefore*, the least fertile mine which regulates price. Indeed, it is so stated in another place by Adam Smith himself, for be says: '*The lowest price* at which coals can be *sold* for any considerable time is like that of all other commodities, the price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market. *At a coal-mine for which the landlord can get no rent*, but which he must either work himself, or let it alone all together, *the price of coals must generally be nearly about this price*'" (l.c., pp. 393-95).

Adam Smith is mistaken when he declares the particular set of circumstances on the market, under which the most fertile mine (or land) dominates the

market, to be the *rule*. But provided such a case is assumed his reasoning is correct (on the whole) and Ricardo's wrong. Adam Smith presupposes that as a result of the state of demand and because of its relative superior fertility, the best mine can only force the whole of its product on to the market if it undersells its competitors, if its product is *below* the old market-value. This causes the price to fall for the worse mines too. The market-price falls. This in any case *lowers the rent* on worse mines and can even make it disappear completely. For the rent is equal to the excess of market-value over cost-price of the produce, whether that market-value be like the individual value of the produce of a certain class [of land], or mines, or not. What Smith fails to notice, is that the profit can only be diminished by this if it becomes necessary to withdraw capital and reduce the scale of production. If the market-price— regulated, as it is under the given circumstances, by the produce of the best mines— falls so low as to afford no excess above cost-price for the product of the worst mine, then it can be worked only by its owner. At this market-price, no capitalist will pay him a rent. His ownership of land does not, in this case, give him power over capital, but as far as he is concerned it annuls the resistance which other capitalists meet who wish to apply capital to land. Landed property does *not exist* for him because he himself is the landed proprietor. Hence he can use his land as a mine, or in any other sphere of production, i.e., he can employ it if the market-price, which he *finds* predetermined and does not determine himself— if the market-price of the product yields him the average profit, that is, his *cost-price*.

And from this Ricardo concludes that Smith contradicts himself! Because the old market-price determines how far new mines can be opened up by their owners—in other words they can be worked in circumstances where landed property disappears, since at the old market-price they

yield their cultivators the *cost-price*—he concludes that this cost-price determines the market-price! But again he takes refuge in the descending line and allows the less fertile mine to be cultivated only when the market-price of the product rises above the value of the product of the better mines, whereas it is only necessary that it rises *above* the cost-price or even that it equals the cost-price in the case of the worse mines exploited by their proprietors themselves. Incidentally, his assumption that "... if by new processes the quantity" (of coal) "should be increased, the *price would fall*, and *some mines would be abandoned*" [l.c., p. 394], depends only on the degree of the fall in price and the state of demand. If, with this fall of prices, the market can absorb the whole product, then the bad mines will still yield a rent provided the fall of market-price still leaves an excess of market-value over the cost-price of the poorer mines, and [the mines will] be worked by their owners, if the market-value only covers, or is equal to, the cost-price. In either case, however, [it is] absurd to say that the cost-price of the worst mine regulates the market-price. Although the cost-price of the worst mine determines the relation of the price of its produce to the ruling market-price, and *therefore* decides the question whether or not ||618| the mine can be worked. But the fact that a piece of land or a mine of a particular degree of fertility can be exploited at a *given market-price*, is obviously not related to or identical with the determination of the market-price by the cost-price of the produce of these mines. If an *increased market-value* would make an *additional supply* necessary or possible then the worst land would regulate the market-value, but then it would also yield absolute rent. This is the exact *opposite* of the case assumed by Adam Smith.

Thirdly, Ricardo reproaches Smith for believing (p. 395, et. seq.) that cheapness of raw produce, for instance substitution of potatoes for corn, which would lower the wage and diminish the cost of production, would cause a

larger share as well as a larger quantity to fall to the landlord, Ricardo on the other hand [maintains that] :

> "No part of that additional proportion would go to rent, but the whole invariably to profits ... while lands of the same quality were cultivated, and there was no alteration in their relative fertility or advantages, *rent would always bear the some proportion to the gross produce*" (l.c., p. 396).

This is positively wrong. The share of rent would fall and, therefore, its quantity would decrease *relatively*. The introduction of potatoes as the principal means of subsistence, would reduce the value of labour-power, shorten the necessary labour-time, increase the surplus labour-time and therefore the *rate* of surplus-value, hence—other circumstances remaining the same—the composition of the capital would be altered, the value of the variable part would diminish in comparison with that of the constant part, although the *quantity* of living labour employed remained the same. The *rate of profit* would therefore rise. In this case [there would be] a fall in absolute rent and proportionately in differential rent. (See page 610 Table C.) This factor would affect equally agricultural and non-agricultural capital. The general rate of profit would rise and the rent would *consequently* fall.

Chapter XXVIII. "On the comparative Value of Gold, Corn, and Labour, in Rich and Poor Countries."

> "Dr. Smith's error, throughout his whole work, lies in supposing that the value of corn is constant; that though the value of all other things may, the value of corn never can be raised. Corn, according to him, is always of the same value because it will always feed the same number *of* people. In the same manner, it might be said, that cloth is always of the same value, because it will always make the same number of coats. What can value have to do

with the power of feeding and clothing?" (l.c., pp. 449-50.)

"Dr. Smith ... has so ably supported the doctrine of the natural price of commodities ultimately regulating their market-price (l.c., p. 451).

"Estimated in corn, gold may be of very different value in two countries. I have endeavoured to shew that it will he low in rich countries, and high in poor countries; Adam Smith is of a different opinion: he thinks that the value of gold, estimated in corn, is highest in rich countries" (l.c., p. 454).

Chapter XXXII. "Mr. Malthus's Opinions on Rent."

"Rent is a creation of value ... but not a creation of wealth" (l.c., p. 485).

"In speaking of the high price of corn, Mr. Malthus evidently does not mean the price per quarter or per bushel, but rather the excess of price for which the whole produce will sell, above the cost of its production, including always in the term "cost of its production", profits as well as wages. One hundred and fifty quarters of corn at £3 10s. per quarter, would yield a larger rent to the landlord than 100 quarters at £4, provided the cost of production were in both cases the same" (l.c., p. 487). "Whatever the nature of the land may be, high rent must depend on the high price of the produce; but, given the high price, rent must be high in proportion to abundance and not to scarcity" (l.c., p. 492).

"As rent is the effect of the high price of corn, the loss of rent is the effect of a low price. Foreign corn never enters into competition with such home corn as affords a rent; the fall of price invariably affects the landlord till the whole of his rent is absorbed;— if it fall still more, the price will not afford even the common profits of stock; capital will then quit the land for some other employment, and the corn, which was before grown upon it, will

> then, and not till then, be imported. From the loss of rent, there will be a loss of value, of estimated money value, but, there will be a gain of wealth. The amount of the raw produce and other productions together will be increased; from the greater facility with which they are produced, they will, though augmented in quantity, he diminished in value" (l.c., p. 519).

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[a] In the manuscript: "soil".—Ed.

[b] In the manuscript: "of" instead of "*had*".—*Ed.*

[c] In the manuscript: "a".-Ed.

[d] There follow the tables. Marx did not fill in some columns in tables *C* and *D*. The missing figures, as well as the heading of the last column, have been inserted by the editors.—Ed.

[e] In the manuscript: "of".—Ed.

[Chapter XIV] Adam Smith's Theory of Rent

[1. Contradictions in Smith's Formulation of the Problem of Rent]

||619| At this stage we shall not examine Smith's interesting account of how the rent of the principal vegetable food dominates all other strictly agricultural rents (stock raising, timber, industrial crops), because each of these branches of production can easily be transformed into one of the others. Adam Smith excludes rice from this, wherever it is the principal vegetable food, since rice fields (or bogs) are not convertible into grass land, wheat lands, etc. and vice versa.

[In Chapter XI, Book I] Adam Smith correctly defines *rent* as "the price paid for *the use of land*" ([O.U.P., Vol. I, p. 162; Garnier,] t, I, p. 299), the term land is intended to mean every power of nature as such, therefore also water, etc.

In contrast to Rodbertus's peculiar notion, Smith, from the outset, enumerates the items of agricultural capital:

> "The stock from which he furnishes the seed" (the raw material), "pays the labour, and purchases and maintains the cattle and other *instruments* of husbandry" ([O.U.P., Vol. I, p. 163; Garnier,] l.c.).

Now what is this price paid for the use of land?

> "Whatever part of the produce or... of its price, is over and above this shame" (which pays for the capital advanced "together with the ordinary profits"), "he" (the *landlord*) "naturally endeavours to reserve to himself as the *rent* of his land" ([O.U.P., Vol. I, p. 163; Garnier,] l.c., p. 300).

> This *excess* may "he considered as the *natural rent* of land" ([O.U.P., Vol. I, p. 163; Garnier,] l.c., p. 300).

Smith refuses to confuse rent with the interest on capital invested in the land.

> "The landlord demands a rent even for unimproved land" ([O.U.P., Vol. I, p. 163; Garnier,] l.c., pp. 300-01).

and, he adds, even this second form of rent [i.e., the rent on the improved land] is peculiar in that the interest from the capital used on improvement is interest on a capital which has not been laid out by the landlord, but by the farmer.

> "He" (the landlord) "sometimes demands rent for what is altogether incapable of human improvements" ([O.U.P., Vol. I, pp. 163-64; Garnier,] l.c., p. 301).

Smith stresses very strongly, that it is *landed property*, the *landlord*, who as *landlord* "demands the rent". [Regarded] as a mere effluence of *landed property*, rent is *monopoly price*, this is perfectly correct, since it is only the intervention of landed property which enables the product to be sold for more than the cost-price, to be sold at its value.

> "The rent of land considered as the price paid for the use of the land, is naturally a monopoly price" ([O.U.P., Vol. I, p. 164; Garnier,] l.c., p. 302).

It is in fact a price which is only enforced through the monopoly of landed property, and as a monopoly price, it differs from the price of the industrial product.

From the standpoint of capital—and capital dominates production—the *cost-price* only requires that the product should pay the average profit in addition to the capital

advanced. In this case, the product, be it product of the land or any other product, *can "be brought to market*".

> "If the ordinary price is more than this, the *surplus* part of it will naturally go to the rent of the land. If it is not more, though the commodity *may* be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand" ([O.U.P., Vol. I, p. 164; Garnier,] l.c., p. 303).

Why does rent enter into price differently from wages and profit? That is the question. Originally, Smith had resolved value correctly, into wages, profits and rents (apart from constant capital). But almost at once he takes the opposite course and identifies value with natural price (the average price determined by competition or the cost-price of the commodities) and builds up the latter from wages, profit and rent.

> "These three parts seem either immediately or ultimately to make up the whole price" ([O.U.P., Vol. I, p. 55; Garnier,] l. I, ch. VI, p. 101).

> "In the most improved societies, however, there are always a few commodities *of which the price r e s o l v e s i t s e l f into two parts only*, the *wages of labour and the profits of stock;* and a still smaller number, in which *it consists altogether in the wages of labour*. In the price of sea-fish, for example, one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery. *Rent* very seldom makes any part ||620| of it... In some parts of Scotland, a few poor people make a trade of gathering, along the sea-shore, those little variegated stones commonly known by the name of *Scotch pebbles*. The price which is paid to them by the *stone-cutter*, is altogether the *wages of their labour; neither rent nor profit makes any part of it*.

> "But the *whole price of any commodity* must still finally resolve itself *into some one or other or all of those three parts*" ([O.U.P., Vol. I. pp. 56-57; Garnier,] l. I, ch. VI, pp. 103-04).

In these passages, the resolving of value into wages, etc. and the compounding of price from wages, etc., are jumbled together (this applies to Chapter VI in general which deals with "*the Component Parts of the Price of Commodities*"). (Natural price and market-price are for the first time discussed in Chapter VII).

Book I, Chapters I, II, III deal with the "division of labour", *Chapter IV* with money. In these, as in the following chapters, *value* is determined in passing. *Chapter V* deals with the *real and nominal price* of commodities, with the transformation of *value into price;* "the Component Parts of the Price of Commodities" are considered in *Chapter VI;* the *natural and market-price* in *Chapter VII*. Then *Chapter VIII* deals with the wages of labour, *Chapter IX* with the profits of stock; *Chapter X* with the *Wages and Profit in the different Employments of Labour and Stock;* finally, *Chapter XI* with the *Rent of Land*.

But in this connection we want first to draw attention to the following: According to the passages cited above, there are commodities whose *price* consists solely of wages, others, whose price consists only of wages and profit, and finally a third group of commodities, whose price consists of wages, profit and rent. Hence:

> "The *whole price of any commodity* must still ... resolve itself *into some one or other* or *all of those three parts*."

According to this, there would be no grounds for saying that rent enters into price in a different manner from profit and wages, but one could say that rent and profit enter into price in a different way from wages, since the

latter always enters [into price], the former not always. *Whence, then, the difference?*

Moreover, Smith should have investigated, whether it is possible that the few commodities which only *comprise wages*, are sold at *their value*, or whether the poor people who gather the Scotch pebbles are not in fact the wage-labourers of the *stone-cutters*, who pay them only the usual wages for the commodity, in other words for a *whole working-day, which apparently belongs to them*, these people receive only as much as a worker in other trades, where *part of the working-day* forms profit and belongs not to him but to the capitalist. Smith should have either affirmed this or else asserted that in this case the profit only *seems* to be confounded with wages. He says himself:

> "When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same, they are sometimes confounded with one another, at least in common language" ([O.U.P., Vol. I, p. 58; Garnier,] l. I, ch. VI, p. 106).

He nevertheless works out this problem in the following manner:

If an independent labourer (like those poor people of Scotland) uses only labour (without recourse to capital), if, altogether, he only employs his labour and the elements, then the price resolves itself solely into wages. If he employs a small capital as well, then the same individual receives wages and profit. If, finally, he employs his labour, his capital and his landed property, then he unites in his person the characters of landowner, farmer and worker.

{The whole absurdity of Smith's approach comes to light in one of the final passages of Chapter VI, Book I:

> "As in a civilised country there are but few commodities of which the *exchangeable value* arises *from labour only*" (here labour is identified with *wages)* "*rent* and *profit* contributing largely to that of the far greater part of them, so the *annual produce of its labour*" (here, after all, the commodities are the *produce* of *labour*, although the whole value of this produce does not arise from labour only) "will always be sufficient *to purchase* or *command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market*" ([O.U.P., Vol. I, pp. 59-60; Garnier,] l.c., pp. 108-09).

The produce of *labour* [is] not equal to the *value* of this produce. On the contrary (one may gather) this value is *increased* by the addition of profit and rent. The produce of labour can therefore command, purchase, more labour, i.e., pay a greater value in labour, than the labour contained in it. This proposition would be correct if it ran like this:

||621| *Smith says:*

"As in a civilised country there are but few commodities of which the *exchangeable value* arises *from labour only*, rent and profit *contributing* largely to that of the far greater part of them, so the annual produce of its labour will always be sufficient to purchase or command a much greater *quantity of labour* than *what was employed in raising, preparing, and bringing that produce to market*."

According to him himself, it should read:

"As in a civilised country there are but few commodities of which the *exchangeable value* resolves itself into *wages* only and since, for a far greater part of them, this value largely *resolves* itself into rent and profit, so the annual produce of its labour will always be sufficient to purchase or command a much greater *quantity of labour* than what had to be *paid*" (and therefore employed) "in raising, preparing, and bringing that produce to market."

(Here Smith returns again to his second conception of value, a concept of which he writes the following in the same chapter.

> "The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour" (in this sense) "measures the value, not only of that part of price which resolves itself into labour" (should read: into wages) "but of that which resolves itself into rent, and of that which resolves itself into profit" ([O.U.P., Vol. I, p. 55; Garnier,] l. I, ch. VI, p. 100).

(In Chapter VI, the resolution of value into wages, profit and rent is still dominant. It is only in Chapter VII, on the natural price and market-price, that the compounding of the price from these constituent elements wins the upper hand.)

Hence: The exchangeable value of the annual product of labour consists not only of the wages of the labour employed in order to bring forth this product, but also of profit and rent. This labour however is only commanded or purchased with that part of the value which resolves into wages. It is thus possible to set into motion a much larger amount of labour, if a part of the profit and rent is used to command or purchase labour, i.e., if it is converted into wages. So it amounts to this: the exchangeable value of the annual product of labour resolves itself into paid labour (wages) and unpaid labour (profit and rent). If therefore a part of that part of the value which resolves itself into unpaid labour is converted into wages, one can purchase a greater quantity of labour than if one merely assigns that part of the value which consists of wages, to the purchase of new labour.)

Let us go back then:

> "An independent manufacturer, who has stock enough both to purchase materials, and to maintain himself till he can carry his work to market, should gain both the wages of a journeyman who works under a master, and the profit which that master makes by the sale of that journeyman's work. His whole gains, however, are commonly called profit, and wages are, in this case too, confounded with profit.
>
> "A gardener who cultivates his own garden with his own hands, unites in his own person the *three different characters of landlord, farmer, and labourer*. His produce, therefore, should pay him the rent of the first, the profit of the second, and the wages of the third. The whole, however, is commonly considered as the *earnings of his labour*. Both rent and profit are, in this case, confounded with wages" ([O.U.P., Vol. I, p. 59; Garnier,] l. I, ch. VI, p. 108).

This is indeed confounded. Is not the *whole* "the earnings of his labour"? And are not, on the contrary, the conditions of capitalist production—in which, with the alienation of labour from its objective conditions, the worker, capitalist and landowner confront one another as different characters too—transferred to this gardener, so that the product of his labour or rather the value of the product is regarded, part of it as wages, in payment of his labour, part of it as profit, on account of the capital employed, and part of it as rent, as the portion due to the land or rather the proprietor of the land? *Within* capitalist production(it is) quite correct, when considering those conditions of labour in which these elements are *not* separated (in actual fact), to assume them to be separated and so to regard this gardener as his own ||622| journeyman and as his own landowner in one person. The vulgar conception however that wages arise from labour, but profit and rent—independently of the labour of the worker—arise out of capital and land as separate sources, not for the

appropriation of alien labour, but of wealth itself, evidently creeps into Adam Smith's writing already at this stage. In this fantastic fashion, the profoundest concepts intermingle with the craziest notions, such as the common mind forms in an abstract manner from the phenomena of competition.

Having first *resolved* value into wages, profits, rents, he then on the contrary *compounds* value out of wages, profit and rent, whose magnitudes are determined independently of value. Since Adam Smith has thus forgotten the origin of profit and rent correctly explained by himself, he is able to say:

> "Wages, profit, and rent, are the *three original sources* of all *revenue*, *as well as of all exchangeable value*" ([O.U.P., Vol. I, p. 57; Garnier,] l. I, ch. VI, p. 105).

In accordance with his own explanation, he should have said:

> "The *value* of a commodity arises exclusively out of the labour (the amount of labour) which is embodied in this commodity. This value resolves itself into wages, profit and rent. Wages, profit and rent are the original forms in which the worker, the capitalist and the landlord participate in the value created by the labour of the worker. In this sense they are the three original *sources of all revenue*, although none of these so-called sources enters into the formation of the value."

From the passages quoted it can be seen how in Chapter VI, on the "*Component Parts of the Price of Commodities*", Adam Smith arrives at the resolution of price into wages, where only (immediate) labour enters into the production; into wages and profit, where, instead of the independent workman, a journeyman is employed by a capitalist (i.e., capital); and finally into wages, profit and rent, where "land" enters into the production besides

capital and labour. In this latter case, however, it is assumed that the land is appropriated, that consequently alongside the worker and the capitalist, there is also a landowner (although he notes that it is possible for all three or two of these characters to be united in one person).

In *Chapter VII*, on *natural price* and *market-price*, rent (where land enters into the production) is presented as a component part of the natural price in exactly the same way as wages and profit. The following passages will show this:

(Book I, *Chapter VII*).

> "When the price of any commodity is neither more nor less than what is sufficient to pay the *r e n t o f the land, the wages of the labour*, and the *profits of the stock* employed in raising, preparing, and bringing it to market, according to their *natural* rates, the commodity is then sold for what may he called *its natural price.*
>
> "The commodity is then sold *precisely* for *what it is worth*" ([O.U.P., Vol. I, p. 61; Garnier,] l.c., p. 111). (At the same time, it is stated here that the natural price is identical with the value of the commodity.)
>
> "The *market price* of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the *natural price* of the commodity, or the *whole value of the rent*, labour, and profit, *which must be paid in order to bring it thither*" ([O.U.P., Vol. I, pp. 61-62; Garnier,] l.c., p. 112).
>
> "When the quantity of any commodity which is brought to market *Jolts short of* the effectual demand, all those who are willing to pay the *whole value o f t h e r e n t, wages, and profit*, which must be paid in order to bring it

> thither, cannot be supplied with the quantity which they want … the *market price* will rise more or less *above* the *natural price*, according as either the *greatness of the deficiency*, or *the wealth* and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition" ([O.U.P., Vol. I, p. 62; Garnier,] l.c., p. 113).
>
> "When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither… The *market price* will sink more or less below the *natural price*, according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity" ([O.U.P., Vol. I, pp. 62-63; Garnier,] l.c., p. 114).
>
> "When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the *market price* naturally comes to be … exactly …, the same with the *natural price*… The competition of the different dealers obliges them all to accept of this price, but does not oblige them to accept of less" ([O.U.P., Vol. I, p. 63; Garnier,] l.c., pp. 114-15).

||623| If, in consequence of the state of the market, his rent sinks below, or rises above, its natural rate, Adam Smith allows the landowner to *withdraw his land* or transfer it from the production of one commodity (such as wheat) to that of *another* (such as pasture for instance).

> "If at any time it" (the quantity brought to market) "exceeds the effectual demand, some of the component parts of its price must be paid below their *natural rate*. *If it is rent*, the interest of the landlords will immediately prompt them to *withdraw a part of their land*" ([O.U.P., Vol. I, p. 63; Garnier,] l.c., p. 115).

> "If, on the contrary, the quantity brought to market should at any time *fall short of the effectual demand*, some of the component parts of its price must rise above their *natural* rate. *If it is rent*, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity" ([O.U.P., Vol. I, p. 63; Garnier,] l.c., p. 116).
>
> "The occasional and temporary fluctuations in the *market price* of any commodity fall chiefly upon those parts of its price which resolve themselves into wages and profit. That part which resolves itself into rent is less affected by them" ([O.U.P., Vol. I, p. 65; Garnier,] l.c., pp. 118-19).
>
> "The *price of monopoly* is upon every occasion the highest which can be got. The *natural price*, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion indeed, but for any considerable time together" ([O.U.P., Vol. I, p. 68; Garnier,] l.c., p. 124).
>
> "The *market price* of any particular commodity, though it may continue long above, can seldom continue long below, its *natural price. Whatever part* of *it was paid below the natural rate*, the persons whose interest it affected would immediately feel the loss, and would *immediately withdraw* either so *much land*, or so much labour, or so much stock, from being employed about it, that the quantity brought to market would soon he no more than sufficient to supply the effectual demand. Its *market price*, therefore, would soon rise to the *natural price;* this at least would he the case where there was perfect liberty" ([O.U.P., Vol. I, pp. 68-69; Garnier,] l.c., p. 125).

After this exposition of the subject in Chapter VII, it is difficult to see how Adam Smith can justify his proposition in Book I, Chapter XI, "*Of the Rent of Land*", that rent does not always enter into price where

appropriated land enters into production; how he can differentiate between the manner in which rent enters into price from that in which profit and wages enter into it, since in chapters VI and VII he has turned rent into a *component part* of the *natural price*, in just the same way as profit and wages. Now let us return to this Chapter XI (Book I).

We have seen that there rent is defined as the *surplus* which remains from the *price of the product*, after the expenses of the capitalist (farmer) plus the average profit have been paid.

In this Chapter XI, Smith makes a complete turn-about. Rent no longer enters into the *natural price*. Or, rather, Adam Smith takes refuge in an *ordinary price* which is as a rule different from the natural price, although we were told in Chapter VII, that the ordinary price can never, for any length of time, be *below* the natural price and that none of the component parts of the natural price can for any length of time, be paid below its natural rate and even less, not paid at all, as he now asserts in relation to rent. Neither does Adam Smith tell us whether the produce is sold *below its value* when it pays no rent, or whether it is sold *above* its value, when it pays rent.

Previously, the *natural price* of the commodity was

> "the *whole value of the rent*, labour, and profit, *which must be paid in order to bring it thither*" [to market] ([O.U.P., Vol. I, pp. 61-62, Garnier,] l.c., p. 112).

Now we are told that:

> "Such parts *only* of the produce of land *can commonly be brought to market*, of which the *ordinary price* is sufficient *to replace the stock which must be employed in bringing them thither, together with its ordinary*

> *profits*" ([O.U.P., Vol. I, p. 164; Garnier,] l.c., pp. 302-03).

The *ordinary price* is therefore not the *natural price*, and the natural price need not be paid, in order to bring these commodities to market.

||624| Previously we were told that if the *ordinary price* (that time, the *market-price*) were not sufficient to pay the *whole rent* ("the whole value of the rent," etc.), land will be withdrawn until the market-price rises to the level of the natural price and pays the whole rent. Now, on the other hand:

> "If the *ordinary price is more than this*" (sufficient to replace the stock together with its ordinary profits), "the *surplus* part of it will naturally go to the rent of the land. If it is not more, though the *commodity may be brought to market*, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand" ([O.U.P., Vol. 1, p. 164; Garnier,] l. I, ch. XI, p. 303).

Thus rent, from being a component part of the *natural price* suddenly turns into a *surplus* over the *sufficient price*,[a] a surplus whose existence or non-existence depends on the state of demand. But the *sufficient price* is that price which is required for the commodity to appear on the market, and therefore to be produced, thus it is the *price of production* of the commodity. For the price which is required for the supply of the commodity, the price which is required for it to come into existence at all, to appear as a commodity on the market, is of course its *price of production* or *cost-price*, That [is the condition] *sine qua non* of the existence of the commodity. On the other hand the demand for certain products of the land must always be such that their *ordinary price* pays a surplus over and above the price of production, that is, a rent. For others it may or may not be so.

> "There are some parts of the produce of land for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market; and there are others for which it either may or may not be such as to *afford* this greater *price*. The former must always afford a rent to the landlord. The latter sometimes may, and sometimes may not, according to different circumstances" ([O.U.P., Vol. I, pp. 164-65; Garnier,] l. I, ch. XI, p. 303).

So instead of the *natural price* we have the *sufficient price* here. The *ordinary price*, in turn, is different from this *sufficient price*. The ordinary price if it *includes* the rent is *above* the sufficient price. If it does not comprise rent it is equal to the sufficient price. It is even characteristic of the *sufficient price that rent is excluded*. The ordinary price is *below* the sufficient price, when it does not pay the average profit, in addition to replacing the capital. Thus the *sufficient price* is in fact the *price of production* or *cost-price* as abstracted by Ricardo from Adam Smith and as it indeed presents itself from the standpoint of capitalist production, in other words the price which, apart from the outlay of the capitalist, pays the ordinary profit; [it is] the average price brought about by the competition of capitalists in the different employments of capital. It is this abstraction based on competition which induces Adam Smith to confront his *natural price* with the *sufficient price*, although in his presentation of the natural price he on the contrary declares that in the long run only the ordinary price which pays rent, profit and wages, the component parts of the natural price, is sufficient. Since the capitalist controls the production of commodities, the sufficient price is [that] which is sufficient for capitalist production from the standpoint of capital and the price which is sufficient for capital does not include rent, but, on the contrary, excludes it.

On the other hand: This *sufficient price* is not sufficient for some products of the land. For them the *ordinary*

price must be high enough to yield a surplus over and above the sufficient price, a rent for the landowner. For others it depends on the circumstances. The contradiction that the sufficient price is not sufficient—that the price which suffices to bring the product to market does not suffice to bring it to market—does not worry Adam Smith.

Although he does not turn back, even for one moment, to glance at chapters V, VI and VII, he admits to himself (not as a contradiction, but as a new discovery which he has suddenly hit upon), that with the sufficient price, he has overthrown his whole doctrine of natural price.

> "*Rent*, it is to be *observed*, therefore" (in this extraordinarily naive fashion Adam Smith progresses from an assertion to its very opposite), "*enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the causes of high or low price* ||625|; *high or low rent* is the effect *of it. It is because high or low wages and profit must be paid, in order* to *bring a particular commodity to market*, that its price is high or low. But it is because its price is high or low, *a great deal more, or very little more, or no more, than what is sufficient to pay those wages and profit*, that it affords a high rent, or a low rent, or no rent at all" ([O.U.P., Vol. I, p. 165; Garnier,] l.c., pp. 303-04).

Let us take the final proposition first. The *sufficient price*, the cost-price, which only pays wages and profit, *excludes rent*. If the product pays *a great deal more than the sufficient price*, then it pays a high rent. If it pays only a little more, then it pays a low rent. If it pays *only exactly the sufficient price*, then it pays *no* rent. It pays *no* rent if the actual price of the product coincides with the *sufficient price*, which pays profit and wages. Rent is always a *surplus* over and above the sufficient price. By its very nature, the sufficient price

excludes rent. *This is Ricardo's theory*. He accepts the concept of the *sufficient price*, the cost-price, from Adam Smith; but avoids Adam Smith's inconsistency of differentiating it from the natural price, and sets it forth consistently. Having committed all these inconsistencies, Smith is sufficiently inconsistent to demand, for certain products of the land, a price which is *higher* than their *sufficient price*. But this inconsistency itself is in turn the result of a *more correct* "observation".

The beginning of the passage is truly amazing in its naiveté. In Chapter VII Smith explained that rent, profit and wages enter equally into the *corn position of the natural price*, having first turned the *dissolution of value* into rent, profit and wages upside down and transformed it into the composition of value from the natural price of rent, profit and wages. Now he tells us that rent enters into "the *composition of the price* of commodities" *differently* from profit and wages. And in what way does it enter *differently* into *that composition?* By *not* entering into that composition *at all*. And here we are first given a true explanation of the sufficient price. The *price of the commodities* is dear or cheap, high or low, because wages and profit—their natural rates—are high or low. The commodity will not be brought to market, will not be produced, unless these high or low profits and wages are paid. They form the *price of production* of the commodity, its *cost-price;* and are thus in fact, the *constituent elements of its value* or *price*. *Rent*, on the other hand, does not enter into the *cost-price*, the *price of production*. It is not a constituent element of the exchangeable value of the commodity. It is *only* paid when the *ordinary price* of the commodity is *above* its *sufficient* price. Profit and wages as *constituent elements* of the price are *causes* of the price; rent, on the other hand, is only its *effect*, its *result*. It does not, therefore, enter into the composition of the price as an element, as do profit and

wages. And this is what Smith calls entering into this composition in a *different* way from profit and wages. He does not appear to be in the slightest bit aware of the fact that he has thrown over his doctrine of natural price. For what was the natural price? The central point around which the market-price gravitated: the *sufficient price, below* which in the long run the product could not fall, if it were to be produced and brought to market.

Thus rent is now the *surplus over the natural price*, previously [it was] a *component part of the natural price;* now [it is the] effect, previously [it was] the cause, of price.

There is however no contradiction in Adam Smith's assertion that for certain products of the land, the circumstances of the market are always such that their ordinary price must be above their sufficient price, in other words: that *landed property* has the power to force the price above that level which would be sufficient for the capitalist if he were not confronted by a counteracting influence.

||626| Having thus, in Chapter XI, thrown overboard chapters V, VI and VII, he calmly proceeds by saying that: he will now make it his business to consider 1. the produce of the land which always affords rent; 2. the produce of the land which sometimes affords rent and sometimes not; finally 3. the variations which take place, in the different periods of development of society, in the relative value, partly of these two sorts of produce compared with one another and partly in their relationship to manufactured commodities.

[2. Adam Smith's Hypothesis Regarding the Special Character of the Demand for

Agricultural Produce. Physiocratic Elements in Smith's Theory of Rent]

"*Part I. Of the Produce of Land which always affords Rent.*"

Adam Smith begins with the theory of population. The *mean s of subsistence* always create a *demand* for themselves. If the means of subsistence increase, then the people, the consumers of the means of subsistence, also increase. The supply of these commodities thus *creates* the demand for them.

> "As men, like all other animals, *naturally multiply in proportion to the means of their subsistence, food is always more or less in demand*. It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something in order to obtain it" ([O.U.P., Vol. I, p. 165; Garnier,] l. I, ch. XI p. 305).

> "But <why?> "*land*, in almost any situation, *produces a greater quantity of food* than what is sufficient *to maintain all the labour* necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The *surplus*, too, is always more than sufficient to *replace the stock which employed that labour, together with its profits*. Something, therefore, always remains for a rent to the landlord" ([O.U.P., Vol. I, p. 166; Garnier,] l.c., pp. 305-06).

This sounds quite *physiocratic* and contains neither proof nor explanation of why the "*price*" of these particular commodities pays a rent, a surplus over and *above* the "sufficient price".

As an example he immediately refers to *pasture* and *uncultivated pasture*. Then follows the proposition on *differential rent:*

> "The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility" ([ibid., p. 166] l.c., p. 133).

On this occasion rent and profit appear as mere *surplus* of the *product*, after that part of it has been deducted *in kind* which *feeds* the *worker*. (This is really the physiocratic view, which is based on the fact that in an agricultural country man lives almost exclusively on the agricultural product, and industry manufacture, itself appears as a rural side-line which uses the *local product* of nature.)

> "A greater quantity of labour, therefore, must be maintained out of it[b]; and the *surplus, from which are drawn both the profit of the farmer* and *the rent of the landlord*, must be diminished" ([O.U.P., Vol. I, p. 166; Garnier,] l.c., p. 307).

The growing of corn must therefore yield a greater profit than *pasture*.

> "A *cornfield* of moderate fertility produces a much *greater quantity of food for man* than the best pasture of equal extent."

(Thus it is not a question of price here, but of the absolute quantity of food for man.)

> "Though its cultivation requires *much more labour*, yet the *surplus* which remains after replacing the seed and *maintaining all that labour*, is likewise much greater."

(Although corn costs *more labour*, the cornfield yields a larger *surplus* of food, after labour has been paid, than a meadow used for stock raising. And it is *worth more*,

not because corn costs more labour, but because the surplus in corn contains more nourishment.)

> "If a pound of butcher's meat, therefore, was *never* supposed to be *worth more* than a pound of bread, this *greater surplus*" (because the same area of land yields more pounds of corn than meat) "would everywhere be of *greater value*," <because it is *assumed*, that a pound of bread equals a pound of meat (in value), and that, after the workers have been fed, more pounds of bread than pounds of meat are left over from the same area of land> "and constitute a greater fund both for the profit of the farmer and the *rent* of the landlord" ([O.U.P., Vol. I, pp. 167-68; Garnier,] l.c., pp. 308-09).

Having replaced the natural price by the sufficient price, and declared rent to be the surplus over and above the sufficient price, Smith forgets altogether, that it is a question of *price*, and derives rent from the ratio between the amount of *food* yielded by agriculture and the amount of *food* consumed by the agricultural worker.

In point of fact—apart from this *physiocratic* interpretation—he *postulates* that the *price* of the agricultural product which supplies the principal food pays *rent* in addition to profit. This is the starting-point for his further arguments. With the extension of cultivation, the natural pastures become insufficient for stock raising and cannot satisfy the demand for butcher's meat. Cultivated land has to be employed for this purpose. ||627| The price of meat therefore has to rise to the point where it pays not only the *labour* which is employed in stock raising, but also:

> "*the rent which the landlord, and the profit which the farmer, could have drawn from such land employed in tillage.* The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as

> those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in *proportion to the price of their cattle*."

(In this passage Adam Smith correctly derives the differential rent from the surplus of the market-value over the individual value. In this case, however, the market-value rises, not because there is a transition from better to worse, but from less fertile to more fertile land.)

> "It is thus that, in the progress of improvement, the *rent and profit of unimproved pasture* come to be regulated in some measure by the rent and profit of what is improved, and *these again by the rent and profit of corn*" ([O.U.P., Vol. I, pp. 168-69; Garnier,] pp. 310-11).

> "But where there is no Local advantage of this kind, the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is *fit* for producing it, the rent and profit of pasture.

> "The use of the artificial grasses, of turnips, carrots, cabbages, and *the other expedients* which have been fallen upon to make an *equal quantity of land feed a greater number of cattle than when in natural grass*, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's meat naturally has over that of bread. It seems accordingly to have done so" etc. ([O.U.P., Vol. I, p. 171; Garnier,] l.c., p. 315).

Having thus set forth the *relationship between rent yielded by pasture and by tilled land*, Smith continues:

> "In all great countries, the greater part of the cultivated lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be

> turned into corn or pasture; and if any afforded more, some part of the lands in corn or pasture would soon be turned to that produce" ([O.U.P., Vol. I, pp. 172-73; Garnier,] l.c., p. 318).

Then he speaks of vineyards, fruit and vegetable gardens, etc

> "The rent and profit of those productions, therefore, which require either a greater original expense of improvement in order to fit the land for them, or a greater annual expense of cultivation, though often much superior to those of corn and pasture, yet when they do no more than compensate such extraordinary expense, are in reality regulated by the rent and profit of those common crops" ([O.U.P., Vol. I, p. 176; Garnier,] pp. 323-24).

Then he passes on to sugar cultivation in the colonies [and] tobacco.

> "It is in this manner that the rent of the cultivated land, of which the produce is human food, regulates the rent of the greater part of other cultivated land."

> "In Europe, corn is the principal produce of land, which serves immediately for human food. Except in particular situations, therefore, the rent of corn-land regulates in Europe that of all other cultivated land" ([O.U.P., Vol. I, p. 180; Garnier,] l.c., pp. 331-32).

Adam Smith then returns to the physiocratic theory, as interpreted by him, namely that food creates consumers for itself. [He asserts that] if corn were replaced by some other crop, which with the same amount of labour yielded a much greater quantity of food on the most common land, then

> "*the rent* of the landlord, *o r the sur plus quantity of food* which would remain to him, after paying the labour, and replacing the stock of the farmer, together with its ordinary profits,

> would necessarily be much greater. Whatever was the rate at which labour was commonly maintained in that country, this *greater surplus could always maintain a greater quantity of it*, and, *consequently*, enable the landlord to purchase or command a greater quantity of it" ([O.U.P., Vol. I, p. 181; Garnier,] l.c., p. 332).

Adam Smith cites rice as an *example*.

> "In Carolina ... the *planters*, as in other British colonies, *are generally both farmers and landlords*, and *rent, consequently, is confounded with profit*" ([O.U.P., Vol. I, p. 181; Garnier,] l.c., p. 333).

||628| The rice field, however

> "is unfit either for corn, or pasture, or vineyard, or, indeed, for any other vegetable produce that is very useful to men; and the lands which are fit for those purposes are not fit for rice. Even in the rice countries, therefore, the rent of rice lands cannot regulate the rent of the other cultivated land which can never be turned to that produce" ([O.U.P., Vol. I, pp. 181-82; Garnier,] l.c., p. 334).

Second example potatoes (Ricardo's criticism of this has been mentioned earlier). If potatoes became the principal food, in place of corn,

> "*...the same quantity of cultivated land* would *maintain a much greater number of people;* and the labourers being generally fed with potatoes, a greater *surplus* would remain after replacing all the stock, and maintaining all the labour employed *in* cultivation. A greater share of this surplus, too, would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present" ([O.U.P., Vol. I, p. 182; Garnier,] l.c., p. 335).

A few more comments on wheaten bread, bread made of oatmeal, and on potatoes conclude the first section of Chapter XI.

One can therefore sum up this section, which deals with the product of land *which always pays a rent*, as follows: after *postulating* the rent of the principal vegetable food, it sets forth how this rent regulates the rent of cattle-breeding, wine-growing, market gardening, etc. There is *nothing* about the nature of rent itself, except the general thesis that, *provided* rent exists, its amount is determined by fertility and situation. But this only relates to differences in rents, differences in the magnitude of rents. But why does his product always pay a rent? Why is its *ordinary price* always higher than its *sufficient price?* Smith leaves price out of account here and reverts to the physiocratic theory. What runs through it, however, is that the *demand* is always so great because the product itself creates the demand, [since it creates] its own consumers. Even provided that this were so it is incomprehensible why the demand should rise above the supply and thus force the price *above* the sufficient price. But there is here a secret recollection of the image of the *natural price* which includes rent as well as profit and wages and which is paid when supply corresponds with demand.

> "When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the *market price* naturally comes to be ... exactly ... the same with the *natural price*" ([O.U.P., Vol. I, p. 63; Garnier,] l.c., p. 114).

It is however characteristic that Adam Smith nowhere in this section states this clearly. In opening Chapter XI, he had just said that rent does not enter into price as a component part. The contradiction was too conspicuous.

[3. Adam Smith's Explanation of How the Relation Between Supply and Demand Affects the Various Types of Products from the Land. Smith's Conclusions Regarding the Theory of Rent]

"*Part II: Of the Produce of Land which sometimes does, and sometimes does not, afford Rent.*"

It is actually only in this section that the general nature of rent is first discussed.

> "Human *food* seems to he the only produce of land, which *always* and *necessarily* affords some *rent to the landlord*." (Why "always" and "necessarily", has not been shown.) "Other sorts of produce sometimes may, and sometimes may not, according to different circumstances" ([O.U.P., Vol. I, p. 183; Garnier,] l.c., p. 337).
>
> "*After food, clothing and lodging* are the two great wants of mankind.
>
> "Land, in its original rude state, can afford the materials of clothing and lodging to a *much greater number of people* than it can *feed*." As a result of this "*superabundance* of those materials" in proportion to the number of people the land can feed, i.e., in proportion to the population, these materials "cost" little or nothing. A large part of these "materials" lies around unused and useless "and the price of what is used is *considered as equal only to the*

> *labour and expense of fitting it for use*." This price however affords "no rent to the landlord". On the other hand, where the land is in an improved state, the number of people whom "it can feed", i.e., the population, is greater than the quantity of those materials which it supplies, at least "in the way in which they require them, and are willing to pay for them". There is a relative "scarcity" of these materials "which necessarily augments their value" ... "there is *frequently a demand for more than can be had*." More is paid for them than "the expense of bringing them to market. Their price, therefore, can always *afford some rent* to the landlord" ([O.U.P., Vol. I, p. 184; Garnier,] l.c., pp. 338 to 339).

||629| Here therefore an explanation of rent [is] derived, from the *excess of demand* over the *supply* which can be provided at the *sufficient price*.

> The original materials of clothing were the furs and skins "of the larger animals". Among nations of hunters and shepherds, whose food consists chiefly of the flesh of animals, "every man, *by providing himself with food, provides himself with the materials of more clothing than he can wear* ". Without foreign trade, the greater part of them would be thrown away as useless. Through the additional demand provided by foreign trade, the price of this surplus of materials is raised "*above what it costs to send them" to be sold*. This price "affords, *therefore*, some rent to the landlord". Through its market in Flanders, English wool thus added "something to the rent of the land which produced it" ([O.U.P., Vol. I, pp. 184-85; Garnier,] l.c., pp. 339-40).

Foreign trade here raises the *price* of an agricultural by-product to such an extent, that the land which produces it can yield some rent.

> "The *materials of lodging* cannot always be transported to so great a distance as those of clothing, and do not so readily become an

object of foreign commerce. When they are *superabundant* in the country which produces them, it frequently happens, even in the present commercial state of the world, that they are *of no value to the landlord*." Thus a stone quarry in the neighbourhood of London may yield a rent, whereas in many parts of Scotland and Wales, it may not. Similarly with timber. "In a populous and well-cultivated country" it will provide a rent, but "in many parts of North America" it will rot on the ground. The landowner would be glad to get rid of it. "When the materials of lodging are so superabundant, the part made use of is worth only the labour and expense of fitting it for that use. It affords no rent to the landlord, who generally grants the use of it to whoever takes the trouble of asking it. The *demand* of wealthier nations, however, sometimes enables him to get a rent for it" ([O.U.P., Vol. I, pp. 185-86; Garnier,] l.c., pp. 340-41).

Countries are populated, not in proportion to the "number of people whom their produce *can clothe and lodge*, but in proportion to that *of* those *whom it can feed*. When food is provided, it is easy to find the necessary clothing and lodging. But though these are at hand, it may often be difficult to find food. In some parts of the British Dominions, what is called a house may be built by one day's labour of one man." Among savage and barbarous nations, a hundredth of the labour of a whole year will be sufficient to provide them with what they require in clothing and lodging. The other 99 hundredths [are] often necessary to provide them with the food they need. "But when, by the improvement and cultivation of land, the *labour of one family can provide food for two*, the labour of half the society becomes sufficient to provide food for the whole." The other half can then *satisfy* the other wants and fancies of mankind. The principal objects of those wants and fancies are *clothing, lodging, household furniture*, and what is called *luxury*. The desire for food is limited. Those other desires are

> unlimited. Those who possess a surplus of food "are always willing to exchange the surplus". "The poor, in order *to obtain food*", exert themselves to satisfy those "fancies" of the rich, and, moreover, compete with one another *in* their endeavours. The number of workmen increases with the quantity of food, i.e., in proportion to the progress of agriculture. [The nature of] their "business admits of the utmost subdivisions of labour"; the quantity of materials which they work up therefore increases even more rapidly than their numbers. "Hence arises a demand for every sort of material which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or household furniture; for the fossils and minerals contained in the bowels of the earth, the precious metals, and the precious stones.
>
> "*Food* is, *in this manner*, not only the original source of *rent*, but every other part of the produce of land which afterwards affords rent, derives *that part of its value from the improvement of the powers of labour in producing food*, by means of the improvement and cultivation of land" ([O.U.P., Vol. I, pp. 186-88; Garnier,] l.c., pp. 342-45).

What Smith says here, is the true physical basis of Physiocracy, namely, that the creation of surplus-value (including rent) always has its basis in the relative productivity of agriculture. The first real form of surplus-value is surplus of agricultural produce (food) , and the first real form of surplus labour arises when one person is able to produce the food for two. Otherwise this has nothing to do with the development of rent, this specific form of surplus-value, which presupposes capitalist production.

Adam Smith continues:

> The other parts of the produce of the land (apart from food), which later afford rent, do not afford it always. The *demand* for them, even in the most cultivated countries, is not

> always *great enough*, "to afford a greater *price than what* is *sufficient to pay the labour, and replace, together with its ordinary profits, the stock which must be employed in bringing them to market.* ||630| *Whether it is* or *is not such, depends upon different circumstances*" ([O.U.P., Vol. I, p. 188; Garnier,] l,c., p. 345).

Here therefore again: Rent arises from the *demand* being greater than the supply at the *sufficient price* which *only includes wages and profits, but no rent*. What else does this mean, but that the *supply* at the sufficient price is so great that *landed property* cannot offer any resistance to the equalisation of capitals or labour? That therefore, even though landed property exists legally, it does not exist in practice, or cannot be effective as such in practice? Adam Smith's mistake is that he fails to recognise that *if* landed property sells [products] *above* the sufficient price, it sells [them] at their *value*. His positive point, compared with Ricardo, is that he realises it depends on the circumstances, whether or not landed property can assert itself economically. It is therefore essential to follow this part of his argument step by step. He begins with the coal mine, then goes over to timber and then returns to the coal mine, etc. Accordingly we shall let him start with *timber*.

> The *price of wood* varies with the state of agriculture, for the same reasons as does the price of cattle. When agriculture was in its infancy, forests were dominant and a sheer nuisance to the landowner, who would gladly give it to anyone for the cutting. As agriculture advances, there is clearance of forests, partly through the expansion of tillage, partly through the increase in herds of cattle, which eat up, gnaw at, roots and young trees. "These" [cattle] though they do not increase in the same proportion as corn, *which is altogether the acquisition of human industry*, yet multiply under the care and protection of men." The scarcity of wood, thus created, raises

> its *price*. Hence it can afford so high a rent that tilled land (or land that could be used for tillage) is converted into woodland. This is the case in Great Britain. The rent of wood can never, for any length of time, rise above that of corn or pasture, but it *may* reach that level ([O.U.P., Vol. I, pp. 189-90; Garnier,] l.c., pp. 347-49).

Thus in fact, the rent of woodland is by nature identical with that of pasture. It belongs therefore in this category, although wood does not serve for food. The economic category does not depend on the *use-value* of the product, but on whether or not it is convertible into arable land and vice versa.

Coal mines. Smith observes correctly, that the fertility or in-fertility of mines in general depends on whether the same quantity of labour can extract a larger or a smaller amount of mineral from the mine. *Infertility* can offset the *favourable* situation, so that such mines cannot be exploited at all. On the other hand, an *unfavourable* situation can offset the *fertility*, so that despite its natural fertility, such a mine cannot be exploited. This is in particular the case where there are neither good roads, nor shipping ([O.U.P., Vol. I, pp. 188-89; Garnier,] l.c., pp. 346-47).

There are mines whose produce just reaches the *sufficient price*. Hence they pay profit for the entrepreneur but no rent. They can therefore be worked only by the landowner himself. In this way he gets "the ordinary profit of the capital which he employs". There are many mines of this type in Scotland. These could not be exploited in any other way.

> "*The landlord will allow nobody else to work them without paying some rent, and nobody can afford to pay any*" ([O.U.P., Vol. I, p. 188; Garnier,] l.c., p. 346).

Here Adam Smith has correctly defined under what circumstances land which has been *appropriated* pays no rent, namely where landowner and entrepreneur are *one* person. He has already told us earlier that this is so in the colonies.

A farmer cannot cultivate the land there because he cannot pay any rent. But the owner can cultivate it with profit, although it does not pay him a rent. This is the case, for example, in the colonies in Western America, because new land can always be appropriated. The land as such is not an element that offers resistance, and the competition of landowners who cultivate the land themselves is here in fact competition between workers or capitalists. The position of coal mines, or mines in general, is different in the supposed circumstances. The market-value, as determined by the mines which supply their product at this value, yields a smaller rent, or no rent at all but just covers the cost-price in the case of mines that are less fertile or less favourably situated. These mines can only be worked by persons for whom the resistance of landed property and the consequent exclusion of others from the land, does not exist, because they are landowners and capitalists in one person; [this] only happens where in fact *landed property* disappears as an independent element opposed to capital. The position differs from that of the colonies in that: in the latter, the landowner cannot prohibit the exploitation of *new* land by anyone. In the former he can do so. He only gives himself the permission to exploit the mine. This does not enable him to draw a rent, but it does enable him to exclude others and to invest his capital in the mine, with profit.

What Adam Smith writes about the regulation of rent by the most fertile mine, I have already commented on, when discussing Ricardo and his polemic. Here only one proposition needs to be stressed:

> "The *lowest price*" (previously sufficient price) "at which coals can be sold for any considerable time, is, like that of all other commodities, the *price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market*" ([O.U.P., Vol. I, p. 191; Garnier,] l.c., p. 350).

It is evident that the *sufficient price* has taken the place of the *natural price*, Ricardo regards them as identical, and rightly so.

||631| Smith maintains,

> that the rent of coal mines is much smaller than that of agricultural products: while with the latter the rent commonly amount to one third [of the gross produce), in coal mines a fifth is a very great rent, and a tenth the common rent. *Metal mines* are not so dependent on their situation, since [their products] are more easily transported and the world market is therefore open to them. Their value, therefore, is more dependent on their fertility than their situation, while with coal mines, the opposite is the case. The products of the most distant metal mines compete with one another. "The price, therefore, of the coarse, and still more that of the precious metals, *at the most fertile mines* in the world, must necessarily more or less affect their price at every other in it" ([O.U.P., Vol. I, pp. 191-92; Garnier,] l.c., pp. 351-52).

> "The price of every metal, at every mine, therefore, being regulated in some measure by its price at the most fertile mine in the world that is actually wrought, *it* can, at the greater part of mines, do *very little more than pay the expense of working*, and can *seldom* afford a very high rent to the land-lord. Rent accordingly, seems at the greater part of mines to have but a small share in the price of the coarse, and a still smaller in that of the precious metals. Labour and profit make up the greater

> part of both" ([O.U.P., Vol. I. p. 192; Garnier,] l.c., pp. 353-54).

Adam Smith correctly sets forth here the case presented in *Table C*.

When speaking of *rent* in connection with precious metals. Adam Smith again gives his interpretation of the sufficient price, which he puts in the place of the natural price. Where he speaks of non-agricultural industry, he has no need for this, since the sufficient and the natural price coincide here, according to his original explanation namely that it is the price which repays the capital outlay plus the average profit.

> "The lowest price at which the precious metals can be sold ... during any considerable time, is regulated by the same principles which fix the lowest ordinary price of all other goods. The stock which must commonly be employed, the food, clothes, and lodging, which must commonly be consumed in bringing them from the mine to the market, determine it. It must at least he sufficient to replace that stock, with the ordinary profits" ([O.U.P., Vol. I, p. 195; Garnier,] l.c., p. 359).

With regard to *precious stones*, he observes that:

> "The *demand for the precious stones* arises altogether from their beauty. They are of no use but as ornaments; and the merit of their beauty is *greatly enhanced by their scarcity, or by the difficulty and expense of getting them from the mine*, Wages and profit accordingly make up, upon most occasions, almost the whole of the high price. Rent comes in but for a very small share, frequently no share; and the most fertile mines only afford any considerable rent" ([O.U.P., Vol. I, p. 197; Garnier,] l.c., p. 361).

There can only be a differential rent here.

> "As the price, both of the precious metals and of the precious stones, is regulated all over the world by their price at the most fertile mine in it, the rent which a mine of either can afford to its proprietor is in proportion, not to its *absolute*, but to what may be called its *relative* fertility, or to its superiority over other mines of the same kind. If new mines were discovered as much superior to those of Potosi as they were superior to those of Europe, the value of silver might be so much degraded as to render even the mines of Potosi not worth the working" ([O.U.P., Vol. 1, p. 197; Garnier,] l.c., p. 362).

The products of the less fertile precious metal and precious stone mines carry no rent, because it is *always* the most fertile mine which determines market-value and ever more fertile new mines are being opened up—the line is always in the ascending direction, Hence they are sold *below* their value, merely at their cost-price.

> "A produce, of which the value is principally derived from its scarcity, is necessarily degraded by its abundance" ([O.U.P., Vol. I, p. 198; Garnier,] l.c., p. 363).

Then Adam Smith's argument again goes somewhat wrong.

> "It is otherwise in estates above ground. The value, both of their produce and of their rent, is in proportion to their *absolute*, and not to their *relative* fertility. The land which produces a certain quantity of food, clothes, and lodging, can always feed, clothe, and lodge a certain number of people; and *whatever may be the proportion of the landlord*" (the very question is whether he takes any share of the produce, and in what proportion) ||632| "it will always give him a proportionable command of the labour of those people, and of the commodities with which that labour can supply him" ([O.U.P., Vol. I, p. 198; Garnier,] l.c., pp. 363-64).

> "The value of the most barren lands is not diminished by the neighbourhood of the most fertile. On the contrary, it is generally increased by it. The great number of people maintained by the fertile lands *afford a market to many parts of the produce of the barren*, which they could never have found among those whom their own produce could maintain."

(But only if it does *not* produce *the same product* as the fertile lands in its neighbourhood; only if this product of the barren lands *does not compete* with that of the more fertile. In this case Adam Smith is right and indeed, this is of importance to the way in which the total amount of rent from different kinds of natural products may increase in consequence of the fertility of the land which yields food.)

> "Whatever increases the fertility of land in producing food, increases not only the value of the lands upon which the improvement is bestowed" (it may reduce this value and even destroy it), "but contributes likewise to increase that of many other lands, by creating a new demand for their produce" or, *rather* by creating a demand for *new* products." ([O.U.P., Vol. I, p. 198; Garnier,] l.c., p. 364.)

But in all this, Adam Smith does not offer any explanation for absolute rent, which he presupposes to exist for land that produces food. He is correct when he observes that it does not necessarily exist for other lands, mines, for instance, because they are always available in such *relatively* unlimited quantities (in comparison with demand), that landed property cannot offer any resistance to capital [so that] even if it exists in a legal sense, it does not exist in the economic sense.

(See *p. 641* on *house rent*.) |632||

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||641| See p. 632. On *house rent Adam Smith* says:

> "Whatever part of the whole rent of a house is *over and above what is sufficient* for affording this reasonable *profit*" (to the builder) "naturally goes to the ground-rent; and where the owner of the ground, and the owner of the building, are two different persons, it is in most cases, completely paid to the former. In country houses, at a distance from any great town, where there is a plentiful choice of ground, the ground-rent is scarcely any thing, or no more than what the space upon which the house stands, would pay employed in agriculture." (Book V, Chapter II.)

In the case of the ground-rent of houses, *situation* constitutes just as decisive a factor for the differential rent, as fertility (and situation) in the case of agricultural rent.

Adam Smith shares with the Physiocrats, not only the partiality for agriculture and the landlord, but also the view that they are particularly suitable objects of taxation. He says:

> "Both ground-rents, and the ordinary rent of land, are a species of revenue, which the owner in many cases enjoys, without any care or attention of his own. Though a part of this revenue should be taken from him, in order to defray the expenses of the State, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground-rents, and the ordinary rent of land are, therefore, perhaps, the species of revenue, which can best bear to have a peculiar tax imposed upon them" (Book V, Ch. II).

The considerations which Ricardo (p. 230) advances against Adam Smith's views on the subject, are very philistine. |641||

[4. Adam Smith's Analysis of the Variations in the Prices of Products of the Land]

||632| "*Part III, Of the variations in the Proportion between the respective Values of that sort of Produce which always affords Rent, and of that which sometimes does, and sometimes does not, afford Rent.*" ([Garnier,] Book I, Vol. II, Ch. XI.)

> "In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, etc., *as they can be acquired with a very small quantity of labour, so they will purchase or command but a very small quantity*." ([O.U.P., Vol. I, p. 212; Garnier,] Vol. II, p. 25.)

The *peculiar* manner in which Adam Smith mixes up the measuring of value by the quantity of labour, with the price of labour or the quantity of labour which a commodity can command, is evident from the above quotation, and especially from the following passage, which also shows how it has come about that at times he elevates corn to the measure of value.

> "In every state of society, in every stage of improvement, *corn is the production of human industry*. But the average produce of every sort of industry is always suited, more or less exactly, to the average consumption; the average supply to the average demand. *In every different stage of improvement*, besides, *the raising* of equal quantities of corn in the same soil and climate, will, at an average, *require* nearly *equal quantities of labour; or*, what comes to the same thing, *the price of nearly equal quantities;* the continual increase of the productive powers of labour, in an improved state of cultivation, being more or less counterbalanced by

> the *continual* increasing *price of cattle*, the *principal instruments* of agriculture. Upon all these accounts, therefore, we may rest assured, that *equal quantities of corn* will *in every state of society*, in every state of improvement, more nearly *represent, or be equivalent to, equal quantities of labour*, than equal quantities of any other part of the rude produce of land. Corn, accordingly ... is, in all the different stages of wealth and improvement, a more accurate measure of value than any other commodity or set of commodities... *Corn*, besides, or whatever else is the common and favourite vegetable food of the people, constitutes, in every civilised country, the *principal part of the subsistence of the labourer*... The money price of labour, therefore, depends much more upon the average money price of corn, the subsistence of the labour, than upon that of butcher's meat, or of any other part of the rude produce of land. The real value of gold and silver, therefore, the real quantity of labour which they can purchase or command, depends much more upon the quantity of corn which they can purchase or command, than upon that of butcher's meat, or any other part of the rude produce of land" ([O.U.P., Vol. I, pp. 213-14; Garnier,] l.c., pp. 26-28).

When comparing the value of gold and silver, Adam Smith once more sets forth his views on the sufficient price and notes ||633| expressly that *it excludes rent:*

> "A commodity may be said to be *dear* or *cheap* not only according to the absolute greatness or smallness of its usual price, but according as that price is more or less above the lowest for which it is possible to bring it to market for any considerable time together. *This lowest price is that which barely replaces, with a moderate profit, the stock which must be employed in bringing the commodity thither. It is the price which affords nothing to the landlord, of which rent makes not any component part, but which resolves itself altogether into wages and*

profit" ([O.U.P., Vol. I, p. 243; Garnier,] Vol. II, p. 81).

> "The price of diamonds and other precious stones may, perhaps, be still nearer to the lowest price at which it is possible to bring them to market, than even the price of gold" ([O.U.P., Vol. I, p. 244; Garnier,] Vol. II, p. 83).

There are three sorts of raw products ([O.U.P., Vol. I, p. 248; Garnier,] Vol. II, p. 89). The *first*, whose increase is almost, or entirely, independent of human industry; the *second*, which can be increased in proportion to the demand; the *third*, upon whose increase human industry only exercises a "limited or uncertain" influence.

First sort: Fishes, rare birds, different sorts of game, almost all wild-fowl, in particular the birds of passage, etc. The demand for these increases greatly with wealth and luxury.

> "The quantity of such commodities, therefore, remaining the same, or nearly the same, while the competition to purchase them is continually increasing, their price may rise to any degree of extravagance" ([O.U.P., Vol. I, pp. 248-49; Garnier,] Vol. II, p. 91).

> *Second sort:* "It consists in those useful plants and animals, which, in uncultivated countries, nature produces with such profuse abundance, that they are of little or no value, and which, as cultivation advances, are therefore forced to give place to some more profitable produce. During a long period in the progress of improvement, the quantity of these is continually diminishing, while, at the same time, the demand for them is continually increasing. Their real value, therefore, the real quantity of labour which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as any thing else which human industry can raise upon the most fertile and best cultivated land. When it has got so high, it cannot well go higher. If it did, more land and more industry

would soon be employed to increase their quantity" ([O.U.P., Vol. I, pp. 250-51; Garnier,] Vol. II, pp. 94-95). So, for instance, with cattle.

"Of all the different substances, however, which compose this second sort of rude produce, cattle is, perhaps, that of which the price, in the progress of improvement, rises first to this height" ([O.U.P., Vol. I, p. 252; Garnier,] Vol. II, pp. 96-97). "As cattle are among the first, so perhaps *venison* is among the last parts of this sort of rude produce which bring this price" (i.e., that price which makes it worth while cultivating the soil in order to feed them). "The price of venison in Great Britain, how extravagant soever it may appear, is not near sufficient to compensate the expense of a deer park, as is well known to all those who have had any experience in the feeding of deer" ([O.U.P., Vol. I, p. 256; Garnier,] Vol. II, p. 104).

"Thus, in every farm, the offals of the barn and stable will maintain a certain number of *poultry*. These, as they are fed with what would otherwise be lost, are a mere save-all; and as they cost the farmer scarce any thing, so he can afford to sell them for very little." While this supply is sufficient, poultry [is] as cheap as butcher's meat. With the growth of wealth, the demand grows, and consequently the price of poultry [rises] *above* that of butcher's meat, until "it becomes profitable to cultivate land for the sake of feeding them" ([O.U.P., Vol. I, p. 257; Garnier,] Vol. II, pp. 105-06). Thus in *France*, etc.

The *hog*, like poultry, is "originally kept as a save-all." It lives on refuse. In the end the price rises until land must be cultivated specifically for its food ([O.U.P., Vol. I, pp. 258-59; Garnier,] Vol. II, pp. 108-09).

Milk, dairy farming ([O.U.P., Vol. I, p. 259, et. seq.; Garnier,] Vol. II, p. 110, et. seq.). (Butter, cheese ibid.)

According to Adam Smith, the gradual rise in the *price* of these raw products only proves that, little by little, they are becoming *products of human industry*, while previously, they were practically only *products of nature*. Their transformation from products of nature into products of industry is itself the result of the advance of cultivation, which is increasingly limiting the scope of the spontaneous productions of nature. On the other hand, under less developed conditions of production, a large part of these products was sold *below its value*. The commodities are sold *at* their value (hence the rise in prices), as soon as they cease to be a by-product and become an independent product of some branch of agriculture.

> "The lands of no country, it is evident, can ever be completely cultivated and improved, till once the *price* of every produce, which human industry is obliged to raise upon them, has got so high as *to pay for the expense of complete improvement and cultivation*. In order to do this, the price of each particular produce must be sufficient, first, to pay the rent of good corn land, as it is that which regulates the rent of the greater part of other cultivated land; and, secondly, to pay the labour and expense of the farmer as well as they are commonly paid upon good corn land; or, in other words, *to replace with the ordinary profits the stock which he employs about it*. This *rise in the price* of each particular produce must evidently ||634| *be previous to* the improvement and cultivation of the land which is destined for raising it" "... those different sorts of rude produce ... *have become worth*, not only a greater quantity of silver, but a greater quantity of labour and subsistence than before. As it *costs a greater quantity of labour and subsistence to bring them to market*, so, when they are *brought thither*, they *represent or are equivalent to a greater quantity*" ([O.U.P., Vol. I, pp. 261-62; Garnier,] Vol. II, pp. 113-15).

Here it is once more evident, how Smith is only able to use value as determined by the quantity of labour it [value] can buy, in so far as he confuses it with value as determined by the quantity of labour required for the production of the commodities.

Third sort: This is the raw product,

> "in which the efficacy of human industry, in augmenting the quantity, is either limited or uncertain" ([O.U.P., Vol. I, p. 262; Garnier,] Vol. II, p. 115).

Wool and *raw hides* are limited by the number of large and small cattle that are kept. But the first *by-products* already have a *large market*, while the animal itself does not yet have this. The market for butcher's meat is almost always confined to the inland market. Wool and raw hides, even in the rude beginnings [of cultivation], are in most cases already sold in foreign markets. They are easily transported and furnish the raw material of many manufactured goods. They may thus find a market in countries which are more developed industrially when the industry in the country where they are produced does not yet require them.

> "In countries ill cultivated, and therefore but thinly inhabited, the price of the wool and the hide bears always a much greater proportion to that of the whole beast, than in countries where, improvement and population being further advanced, there is more demand for butcher's meat." The same applies to "tallow", In the progress of industry and population, the rise in price of cattle affects the *carcase* more than the *wool* or *hide*. For with the increase in industry and population of a country, the market for meat expands, whereas that for the by-products already previously extended beyond the boundaries of the country. But with the development of industry in the country itself, the price for wool, etc., will nevertheless also rise somewhat. ([O.U.P., Vol. I, pp. 263-64; Garnier,] Vol. II, pp. 115-19).

Fish. ([Garnier,] Vol. II, pp. 129-30.) If the demand for fish rises, then its supply requires more labour. "The fish must generally be sought for at a greater distance, larger vessels must be employed, and more expensive machinery of every kind made use of." ".., it will generally be impossible to supply the ... extended market, without employing a quantity of labour greater than in proportion to what had been requisite for supplying the narrow and confined one." "The *real price* of this commodity, therefore, naturally rises in the progress of improvement" ([O.U.P., Vol. I, p. 270; Garnier,] Vol. II, p. 130).

Here Adam Smith therefore determines the *real price* by the quantity of labour necessary for the production of the commodity.

According to Adam Smith, the *real price* of *vegetable food* (corn, etc.) must *fall* in the course of civilisation.

"The extension of improvement and cultivation, as it *necessarily raises* more or less, in proportion to the price of corn, *that of every sort of animal food*, so it as necessarily *lowers* that of, I believe, every sort of *vegetable food*. It raises the price of animal food; because a great part of the land which produces it, being rendered *fit* for producing corn, must afford to the landlord and farmer the rent and profit of corn land. It *lowers the price of vegetable food;* because, *by increasing the fertility of the land*, it increases its abundance. The improvements of agriculture, too, introduce many sorts of vegetable food, which requiring less land, and not more labour than corn, come much cheaper to market. Such are potatoes and maize... Many sorts of vegetable food, besides, which in the rude state of agriculture are confined to the kitchen garden, and raised only by the spade, come, in its improved state, to be introduced into common fields, and to be raised by the plough; such as turnips, carrots, cabbages, etc." ([O.U.P., Vol. I, pp. 278-79; Garnier,] Vol. II, pp. 145-46).

Adam Smith sees that the *price of manufactured commodities* in general has fallen wherever

> "the real price of the *rude materials* either does not rise at all, or does not rise very much" ([O.U.P., Vol. I, p. 280; Garnier,] p. 149).

On the other hand, he asserts that the real price of labour, i.e., wages, has risen with the progress in production. Hence also, according to him, the prices of commodities do not necessarily rise because of a rise in wages, or the price of labour, although wages [form] "a component part of the natural price" and even of the "sufficient price" or the "lowest price at which commodities can be brought to market". So how does Adam Smith explain this? By a fall in profits? No. (Although he assumes that the general rate of profit falls in the course of civilisation.) Or of rent? No again. He says:

> "In consequence of better machinery, ||635| of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a *much smaller quantity of labour becomes requisite* for executing *any particular piece of work;* and though, in consequence of the *flourishing circumstances* of society, the *real price of labour should rise* very considerably, yet *the great diminution of the quantity," requisite for each particular article*[c], "will generally much more than compensate the greatest rise which can happen in the price." ([O.U.P., Vol. I, p. 280; Garnier,] Vol. II, p. 148.)

Thus the *value* of the commodities falls, because a smaller quantity of labour is required to produce them; the value moreover falls although the *real price* of labour rises. If here the *real price* of labour means the *value* [of labour], then the profit must fall, *if* the price of the commodity falls as a result of the fall in its value. *If*, on the other hand, it means the quantity of the means of

subsistence received by the worker, then the Smithian thesis is correct even where profit is rising.

The extent to which Adam Smith uses the correct definition of value, wherever he actually analyses [facts] can be seen at the end of the chapter where he examines why *woollen cloths* were dearer in the 16th century, etc.

> "It *cost a greater quantity of labour to bring the goods to market*. When they were brought thither, therefore, they must have purchased, or exchanged for the *price* of, a greater quantity" ([O.U.P., Vol. I, p. 284; Garnier,] Vol. II, p. 156).

The mistake here consists only in the use of the word *price*.

[5. Adam Smith's Views on the Movements of Rent and His Estimation of the Interests of the Various Social Classes]

Conclusion of the Chapter. Adam Smith concludes his chapter on rent with the observation that

> "every improvement in the circumstances of the society tends, either directly or indirectly, to raise the real rent of land."
>
> "The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce." The "rise in the real price of those parts of the rude produce of land, which is first the effect of the extended improvement and cultivation, and afterwards the cause of their being still further

> extended" for instance the rise in the price of cattle, raises, firstly, the real value of the landlord's share, but also the proportion of that share, because: "That produce, after the rise in its real price, *requires no more labour to* collect *it than before*. A *smaller proportion of it will*, therefore, *be sufficient to replace, with the ordinary profit, the stock which employs that labour*. A greater proportion of it must consequently belong to the landlord" ([O.U.P., Vol. I, pp. 285-86; Garnier,] Vol. II, pp. 158-59).

In exactly the same way Ricardo explains the increase in the proportion of rent, as the price of corn rises on the more fertile land, only this rise in price is not the result of improvement, and therefore leads Ricardo to the opposite conclusion from Adam Smith.

Adam Smith says that the landlord moreover benefits from every development of the productive power of labour in manufacture.

> "Whatever reduces the real price of the latter" [i.e., manufactured goods] "raises that of the former" [i.e., of agricultural produce]. Furthermore, with every increase of the real wealth of the society, the population increases; with the population increases the demand for agricultural produce and consequently the capital employed in agriculture; "and the rent increases with the produce". On the other hand all circumstances which hinder the growth of general wealth, will have the opposite effect and lead to a fall in rent and hence a decrease in the real wealth of the landowners ([O.U.P., Vol. I, pp. 286-87; Garnier,] Vol. II, pp. 159-60).

From this Adam Smith concludes that the interests of the landlord are always in harmony with the "general interest of society". This also applies to the *labourers* ([O.U.P., Vol. I, pp. 287-88; Garnier,] Vol. II, pp. 161-62). But Adam Smith is honest enough to make the following distinction:

> "The order of proprietors may perhaps gain more by the prosperity of the society than that of labourers; but there is no order that suffers so cruelly from its" [society's] "decline" [as do the labourers] ([O.U.P., Vol. p. 288; Garnier,] Vol. II, p. 162).

The interests of the capitalists (manufacturers and merchants), on the other hand, are not identical with the

> "general interest of the society..." "The interest of the dealers, however, in any particular branch of trade or manufactures, is *always* in some respects *different* from, and even *opposite* to, that of the public." [The dealers are]... an order of men, whose interest ||636| is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it" ([O.U.P., Vol. I, pp. 289-90; Garnier,] Vol. II, pp. 163-65). |636|| .

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[a] The term "prix suffisant" (sufficient price) is used in the French translation of the *Wealth of Nations* from which Marx quotes.—Ed.

[b] i.e., out of the product of the land situated at a greater distance from the market.—Ed.

[c] "requisite for each particular article" inserted by Garnier in the French version.—*Ed.*

Theories of Surplus Value, Marx 1861-3

[Chapter XV] Ricardo's

Theory of Surplus-Value

[A. The Connection Between Ricardo's Conception of Surplus-Value and his Views on Profit and Rent]

[1. Ricardo's Confusion of the Laws of Surplus-Value with the Laws of Profit]

||636| Nowhere does Ricardo consider *surplus-value* separately and independently from its particular forms—profit (interest) and rent. His observations on the organic composition of capital, which is of such decisive importance, are therefore confined to those differences in the organic composition which he took over from Adam Smith (actually from the Physiocrats), namely, those arising from the process of circulation (fixed and circulating cap-ital). Nowhere does he touch on or perceive the differences in the organic composition within the actual process of production. Hence his confusion of *value* with *cost-price*, his wrong theory of rent, his erroneous laws relating to the causes of the rise and fall in the rate of profit, etc.

Profit and surplus-value are only identical when the capital advanced is identical with the capital laid out directly in wages. (Rent is not taken into account here since the surplus-value is, in the first place, entirely appropriated by the capitalist, [irrespective of] what portion he has subsequently to hand over to his co-partners. Furthermore, Ricardo himself presents rent as

an item which is separated, detached from profit.) In his observations on profit and wages, Ricardo also abstracts from the constant part of capital, which is not laid out in wages. He treats the matter as though the entire capital were laid out directly in wages. *To this extent*, therefore, he considers *surplus-value* and *not profit*, hence it is possible to speak of his theory of surplus-value. On the other hand, however, he thinks that he is dealing with profit as such, and in fact views which are based on the assumption of profit and not of surplus-value, constantly creep in. Where he correctly sets forth the laws of surplus-value, he distorts them by immediately expressing them as laws of profit. On the other hand, he seeks to present the laws of profit directly, without the intermediate links, as laws of surplus-value.

When we speak of his theory of surplus-value, we are, therefore, speaking of his theory of profit, in so far as he confuses the latter with surplus-value, i.e., in so far as he only considers profit in relation to variable capital, the part of capital laid out in wages. We shall later deal with what he says of profit as distinct from surplus-value.

It is so much in the nature of the subject-matter that surplus-value can only be considered in relation to the variable capital, i.e., capital laid out directly in wages—and without an understanding of surplus-value no theory of profit is possible—that Ricardo treats the entire capital as variable capital and *abstracts* from constant capital, although he occasionally mentions it in the form of advances.

||637| In Chapter XXVI "*On Gross and Net Revenue*" Ricardo speaks of:

> "trades where *profits* are in *proportion* to *the capital*, and not in proportion to the *quantity of labour* employed" ([David Ricardo, *On the*

Principles of Political Economy, and Taxation, third edition,] p. 418).

What does his whole doctrine of average profit (on which his theory of rent depends) mean, but that profits are "in proportion to the *capital*, and *not* in proportion to the *quantity of labour* employed"? If they were "in proportion to the quantity of labour employed", then equal capitals would yield very *unequal* profits, since their profit would be equal to the surplus-value created in their own sphere of production; the surplus-value however depends not on the size of the capital as a whole, but on the size of the variable capital, which is equivalent to the quantity of labour employed. What then is the meaning of attributing to a specific use of capital, to *specific trades*, by way of exception, that in them profits are proportionate to the amount of capital and not to the quantity of labour employed? With a given rate of surplus-value, the amount of surplus-value for a particular capital must always depend, not on the absolute size of the capital, but on the quantity of labour employed. On the other hand, if the average rate of profit is given, the amount of profit must always depend on the size of the capital employed and not on the quantity of labour employed. Ricardo expressly mentions the

> "carrying trade, the distant foreign trade, and trades where expensive machinery is required" (l.c., p. 418).

That is to say, he speaks of trades which employ relatively large amounts of constant, and little variable capital. At the same time, they are trades in which, compared with others, the *total amount* of the capital advanced is large, or which can only be carried on with *large capitals*. If the rate of profit is given, the amount of profit depends entirely on the *size* of the capitals advanced. This, however, by no means distinguishes the trades in which large capitals and much constant capital are employed (the two always go

together) from those in which small capitals are employed, but is merely an application of the theory that equal capitals yield equal profits, a larger capital therefore yields more profit than a smaller capital. This has nothing to do with the "quantity of labour employed". But whether the rate of profit in general is great or small, depends indeed on the total quantity of labour employed by the capital of the whole class of capitalists and on the proportion of *unpaid* labour; and, lastly, on the ratio of the capital spent on labour and the capital that is merely reproduced as a condition of production.

Ricardo himself argues against Adam Smith's view,

> "... that the great profits which are sometimes made by particular merchants in foreign trade, will elevate the general rate of profits in the country..." (l.c., Chapter VII "*On Foreign Trade*", p. 132).

He says:

> "... They contend, that the equality of profits will be brought about by the general rise of profits; and I am of opinion, that the profits of the favoured trade will speedily subside to the general level" (l.c., pp. 132-33).

We shall see later, how far his view is correct that exceptional profits (when they are not caused by the rise in market-price above the value) do not raise the general rate of profit *in spite of the equalisation* of profits, and also how far his view is correct that foreign trade and the expansion of the market *cannot* raise the rate of profit. But granted that he is right, and, on the whole granted "the equality of profits", how can he distinguish between trades "where profits are in *proportion* to *the capital"and* others where they are "in proportion to the quantity of labour employed"?

In Chapter XXVI, "*On Gross and Net Revenue*", quoted above, Ricardo says:

> "I admit, that from the nature of rent, a given capital employed in agriculture, on any but the land last cultivated, puts in motion a greater quantity of labour than an equal capital employed in manufactures and trade" (l.c., p. 419).

The whole statement is nonsense. In the first place, according to Ricardo, a greater quantity of labour is employed on the land last cultivated than on all the other land. That is why, according to him, rent arises on the other land. How, therefore, is a given capital to set in motion a greater quantity of labour than in manufactures and trade, on all other land *except* the land last cultivated? That the product of the better land has a *market-value* that is *higher* than the *individual* value, which is determined by the quantity of labour employed by the capital that cultivates it, is surely not the same thing as that this capital "puts in motion a greater quantity of labour than an equal capital employed in manufactures and trade"? But it would have been correct, had Ricardo said that, apart from differences in the fertility of the land, altogether rent arises because agricultural capital sets in motion a greater quantity of labour in proportion to the constant part of the capital, than does the average non-agricultural capital.

||638| Ricardo overlooks the fact that, *with a given surplus-value*, various factors may raise or lower and in general influence the rate of profit. Because he identifies surplus-value with profit, he quite consistently seeks to demonstrate that the rise and fall in the rate of profit is caused only by circumstances that make the rate of surplus-value rise or fall. Apart from the circumstances which, when the amount of surplus-value is given, influence the *rate of profit*, although not the *amount of profit*, he furthermore overlooks the fact that the rate of profit depends on the *amount of surplus-value, and by no means* on the *rate of surplus-value*. When the rate of surplus-value, i.e., of surplus-labour, is given, the amount

of surplus-value depends on the organic composition of the capital, that is to say, on the number of workers which a capital of given value, for instance £ 100, employs. It depends on the rate of surplus-value if the organic composition of the capital is given. It is thus determined by two factors: the number of workers simultaneously employed and the rate of surplus-labour. If the capital increases, then the amount of surplus-value also increases whatever its organic composition, provided it remains unchanged. But this in no way alters the fact that for a capital of given value, for example 100, it [the amount of surplus-value] remains the same. If in this case it is 10, then it is 100 for £ 1,000, but this does not alter the proportion.

<Ricardo:

> "There cannot be *two rates of profit in the same employment*, and therefore when the value of produce is in different proportions to capital, it is the rent which will differ, and not the profit" (l.c., Chapter XII "*Land-Tax*," pp. 212-13).

This only applies to the normal rate of profit "in the same employment". Otherwise it is in direct contradiction to the statements quoted earlier on:

> "The exchangeable value of all commodities, whether they be manufactured, or the produce of the mines, or the produce of land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavourable circumstances; meaning—by *the most unfavorable circumstances, the most unfavorable under which the quantity of produce required, renders it necessary to*

carry on the production" (l.c., Chapter II "*On Rent*", pp. 60-61).>

In Chapter XII "*Land-Tax*", Ricardo incidentally makes the following remark directed against Say; it shows that the Englishman is always very conscious of the economic distinctions whereas the Continental constantly forgets them:

> "M. Say supposes, 'A landlord by his *assiduity, economy and skill*, to increase his annual revenue by 5,000 francs;' but a landlord has no means of employing his assiduity, economy and skill on his land, unless he farms it himself; and then it is in quality of capitalist and farmer that he makes the improvement, and not in quality of landlord. It is not conceivable that he could so augment the produce of his farm by any *peculiar* skill" (the "skill" therefore is more or less empty talk) "on his part, without first increasing the quantity of capital employed upon it" (l.c., p. 209).

In *Chapter XIII "Taxes on Gold"* (important for Ricardo's theory of money), Ricardo makes some additional reflections or further definitions relating to *market-price* and *natural price*. They amount to this, how long the equalisation of the two prices takes depends on whether the particular sphere of production permits a rapid or slow increase or reduction of supply, which in turn is equivalent to a *rapid or slow transfer* or *withdrawal* of capital to or from the sphere in question. Ricardo has been criticised by many writers (Sismondi, etc.) because, in his observations on rent, he disregards the difficulties that the *withdrawal of capital* presents for the farmer who employs a great deal of fixed capital, etc. (The history of England from 1815 to 1830 provides *strong* proof for this.) Although this objection is quite correct, it does *not in any way* affect the theory, it leaves it *quite untouched*, because in this case it is invariably only a question of the more or less rapid or slow operation of the economic law. But as regards

the *reverse* objection, which refers to the application of new capital to new land, the situation is quite different. Ricardo assumes that this can take place *without the intervention* of the landlord, that in this case capital is operating in a field of action ||639|, in which it does not meet with any resistance. But this is *fundamentally wrong*. In order to prove this assumption, that this is indeed so, where capitalist production and landed property are developed, Ricardo always presupposes cases in which landed property does *not* exist, either in fact or in law, and where capitalist production too is *not yet* developed, at least not on the land.

The statements just referred to are the following:

> "The rise in the price of commodities, in consequence of taxation or of difficulty of production, will in all cases ultimately ensue; but the *duration of the interval*, before the market-price will conform to the natural price, *must depend on the nature of the commodity*, and *on the facility with which it can be reduced in quantity*. If the quantity of the commodity taxed could not be diminished, if the capital of the farmer or of the hatter for instance, could not be withdrawn to other employments, it would be of no consequence that their profits were reduced below the general level by means of a tax; unless the demand for their commodities should increase, they would never be able to elevate the market-price of corn and of bats up to their increased natural price. Their threats to leave their employments, and remove their capitals to more favoured trades, would be treated as an idle menace which could not be carried into effect; and consequently the price would not be raised by diminished production. *Commodities*, however, of all descriptions *can be reduced in quantity*, and *capital can be removed from trades which are less profitable to those which are more so, but with different degrees of rapidity*. In proportion as the supply of a particular

> commodity can be more easily reduced, without inconvenience to the producer, the price of it will more quickly rise after the difficulty of its production has been increased by taxation, or by any other means" (l.c., pp. 214-15).
>
> "The agreement of the market and natural price of all commodities, depends at all times on the facility with which the supply can be increased or diminished. In the case of gold, houses, and labour, as well as many other things, this effect cannot, under some circumstances, be speedily produced. But it is different with those commodities which are consumed and reproduced from year to year; such as hats, shoes, corn, and cloth; they may be reduced, if necessary, and the interval cannot be long before the supply is contracted in proportion to the increased charge of producing them" (l.c., pp. 220-21).

[2. Changes in the Rate of Profit Caused by Various Factors]

In the same Chapter XIII "*Taxes on Gold*", Ricardo speaks of

> "*rent being not a creation, but merely a transfer of wealth*" (l.c., p. 221).

Is profit *a creation* of wealth, or is it not rather a *transfer* of the surplus-labour, from the workman to the capitalist? In fact *wages* too, are not a *creation* of wealth. But they are not a transfer. They are the appropriation of part of the produce of labour by those who produced it.

In the same chapter Ricardo says:

> "A *tax on raw produce* from the surface of the earth, will...fall on the *consumer*, and will in no way affect rent; unless, by diminishing the funds for the maintenance of labour, it lowers wages, reduces the population, and diminishes the demand for corn" (l.c., p. 221).

Whether Ricardo is right when he says that "a tax on *raw produce* from the surface of the earth" falls neither on the landlord nor on the farmer but on the *consumer*, does not concern us here. I maintain, however, that, if he is right, such a tax may *raise the rent*, whereas he thinks that it does not affect it, unless, by increasing the price of the means of subsistence, etc., it diminishes capital, population and the demand for corn, etc. For Ricardo imagines that an increase in the price of raw produce only affects the *rate of profit* in so far as it raises the price of the *means of subsistence* of the worker. And it is true that an increase in the price of *raw produce* can only in this way affect the *rate of surplus-value* and consequently *surplus-value* itself, *thereby* affecting the rate of profit. But assuming a given *surplus-value*, an increase in the price of the "raw produce from the surface of the earth" would *raise* the value of constant capital in proportion to the variable, would increase the ratio of constant capital to variable and *therefore* reduce the *rate of profit*, thus raising the *rent*. Ricardo starts out from the view point ||640| that in so far as the rise or fall in the price of the *raw produce* does not affect wages, it does not affect profit; for, he argues

<except in one passage to which we shall return at a later stage> that the rate of profit remains the same, whether the value of the capital advanced falls or rises. If the value of the capital advanced grows, then the value of the product grows and also the part of the product which forms the surplus-product, i.e., profit. The reverse happens when the value of the capital advanced falls. This [Ricardo's assertion] is only correct, if the

values of variable and constant capital change in the *same proportion*, whether the change is caused by a rise in the price of raw materials or by taxes, etc. In this case the rate remains unaffected, because no change has occurred in the organic composition of the capital. And even then it must be *assumed*—as is the case with temporary changes—that wages remain the same, whether the price of raw produce rises or falls (in other words wages remain the same, that is, their value remains unchanged irrespective of any rise or fall in the use-value of the wages).

The following possibilities exist:

First the two major differences:

A. A *change in the method of production* brings about a change in the *proportion* between the amounts of constant and variable capital employed. In this case the rate of surplus-value remains the same provided wages remain constant (in terms of value) <i.e., in terms of the labour-time they represent>. But the surplus-value itself is affected if a different number of workers is employed by the same capital, i.e., if there is an alteration in the variable capital. If the change in the method of production results in a relative fall in constant capital, the surplus-value grows and thus the rate of profit. The reverse case produces the opposite result.

It is here assumed throughout that the value *pro tanto*, per £ *100* for example, of constant and variable capital remains *the same*.

In this case the change in the method of production cannot affect constant and variable capital equally; that is, for instance, constant and variable capital—without a change in value—cannot increase or diminish to the same extent, for the fall or rise is here always the result of a change in the productivity of labour. A change in the

method of production has not the same but a *different* effect [on constant and variable capital]; and this has nothing to do with whether a large or small amount of capital has to be employed with a given *organic composition of capital*.

B. *The method of production remains the same*. There is a *change in the ratio of constant to variable capital*, while their relative volume [in physical units] remains the same (so that each of them forms the same proportion of the total capital as before). This change in their ratio is caused by a *change in the value* of the commodities which enter into constant or variable capital.

The following possibilities exist here:

[1.] The value of the constant capital remains the same while that of the variable capital rises or falls. This would always affect the surplus-value, and thereby the rate of profit.

[2.] The value of the variable capital remains the same while that of the constant rises or falls. Then the rate of profit would fall in the first case and rise in the second.

[3.] If both fall simultaneously, but in different proportions, then the one has always risen or fallen as compared with the other.

[4.] The value of the constant and of the variable capital is *equally* affected, whether both rise or both fall. If both rise, then the rate of profit falls, not because the constant capital rises but because the variable capital *rises* and accordingly the surplus-value falls (for only the value [of the variable capital] rises, although it sets in motion the same number of workers as before. or perhaps even a smaller number). If both fall, then the rate of profit rises, not because constant capital falls, but because the variable falls (in terms of value) and therefore the surplus-value increases.

C. *Change in the method of production and change in the value of the elements that form constant or variable capital.* Here one change may neutralise the other, for example, when the amount of constant capital grows while its value falls or remains the same (i.e., it falls *pro tanto*, per £ 100) or when its amount falls but its value rises in the same proportion or remains the same (i.e., it rises *pro tanto*). In this case there would be no change at all in the organic composition. The rate of profit would remain unchanged. But it can never happen—except in the case of agricultural capital—that the amount of the constant capital falls as compared with the variable capital, while its value *rises*.

This type of nullification cannot possibly apply to variable capital (while the real wage remains unchanged).

Except for this one case, it is therefore only possible for the value and amount of the constant capital to fall or rise simultaneously in relation to the variable capital, its value therefore rises or falls absolutely as compared with the variable capital. This case has already been considered. Or they may fall or rise simultaneously ||641| but in unequal proportion. On the assumption made, this possibility always reduces itself to the case in which the value of the constant capital rises or falls relatively to the variable.

This also includes the other case. For if the amount of the constant capital rises, then the amount of the variable capital falls relatively, and vice versa. Similarly with the value. |641||

[3. The Value of Constant Capital Decreases While That of Variable Capital Increases

and Vice Versa, and the Effect of These Changes on the Rate of Profit]

|642| *In regard to case* C, [*page], 640*, it should also be noted:

It would be possible for the wages to rise but for constant capital to fall *in terms of value*, not in physical *terms*. If the rise and fall were proportional on both sides, the rate of profit could remain unchanged. For instance, if the constant capital were £ 60, wages [£] 40 and the rate of surplus-value 50 per cent, then the product would be [£] 120. The rate of profit would be 20 per cent. If the constant capital fell to [£] 40, although its volume [in physical terms] remained unchanged, and wages rose to £ 60, while the surplus-value fell from 50 per cent to 33 $^{1}/_{3}$ per cent, then the product would be £ 120 and the rate of profit 20 per cent. This is wrong.

According to the assumption, the total value of the quantity of labour employed is £ 60. Hence, if the wage rose to £ 60, surplus-value and therefore the rate of profit would be nil, But if it did not rise to such an extent, then any rise in the wage would bring about a fall in the surplus-value. If wages rose to £ 50, then the surplus-value would be £ 10, if [they rose] to £ 45, then [the surplus-value would be] £ 15, etc. Under all circumstances, therefore, the surplus-value and the rate of profit would fall to the same degree. For we are measuring the unchanged total capital here. While the magnitude of the capital (the total capital) remains the same the rate of profit must always rise and fall, not with the rate of surplus-value but with the absolute amount of surplus-value. But if, in the above example, the flax fell

so low that the amount which the same number of workers were spinning could be bought for £40, then we would have the following:

constant capital	Variable capital	Surplus-value	Value of the product	Capital advanced	Rate of Profit
40	50	10	100	90	$11^{1}/_{9}$ per cent

The rate of profit would have fallen below 20 per cent. But supposing:

constant capital	Variable capital	Surplus-value	Value of the product	Capital advanced	Rate of Profit
30	50	10	90	80	$12^{1}/_{2}$ per cent

Supposing:

constant capital	Variable capital	Surplus-value	Value of the product	Capital advanced	Rate of Profit
20	50	10	80	70	$14^{2}/_{7}$ per cent

According to the assumption, the fall in the value of the constant capital never completely counterbalances the rise in the value of the variable capital. On the assumption made, it can never entirely cancel it out, since for the rate of profit to be 20, [£] 10 would have to be a fifth of the total capital advanced. But in the case in which the variable capital amounts to [£] 50, this would only be possible when the constant capital is nil. Assume, on the other hand, that variable capital rose only to [£] 45; in this case the surplus-value would be [£] 15. And, say, the constant capital fell

constant capital	Variable capital	Surplus-value	Value of the product	Capital advanced	Rate of Profit
30	45	15	90	75	20 per cent

In this case the two movements cancel each other out entirely.

||643| Assume further:

constant capital	Variable capital	Surplus-value	Value of the product	Capital advanced	Rate of Profit
20	45	15	80	65	$23^{1}/_{13}$ per cent

Even with the fall in the surplus-value, therefore, the rate of profit could *rise* in this case, because of the proportionately greater fall in the value of the constant capital. More workers could be employed with the same capital of 100, despite the rise in wages and the fall in the rate of surplus-value. Despite the fall in the rate of surplus-value, the amount of surplus-value, and hence the profit, would increase, because the number of workers had increased, For the above ratio of 20c + 45v gives us the following proportions with a capital outlay of 100:

constant capital	Variable capital	Surplus-value	Value of the product	Capital advanced	Rate of Profit
$30^{10}/_{13}$	$69^{3}/_{13}$	$23^{1}/_{13}$	$123^{1}/_{13}$	100	$23^{1}/_{13}$ per cent

The relation between the rate of surplus-value and the number of workers becomes very important here. Ricardo never considers it. |643||

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||641| It is clear that what has been regarded here as a *variation* within the *organic composition* of one capital, can apply equally to the difference in the *organic composition* between *different capitals*, capitals in different spheres of production.

Firstly: Instead of a variation in the organic composition of *one* capital—a difference in the *organic composition of different* capitals.

Secondly: Alteration in the organic composition through a *change in value* in the two parts of one capital, similarly a difference in the *value* of the *raw materials* and *machinery employed* by different capitals. This does not apply to variable capital, since equal wages in the different branches of production are assumed. The difference in the *value* of different days of labour in different *spheres* has nothing to do with it. If the labour of a goldsmith is dearer than that of a labourer, then the surplus-time of the goldsmith is proportionately dearer than that of the labourer. |641||

[4. Confusion of Cost-Prices with Value in the Ricardian Theory of Profit]

||641| *In Chapter XV "Taxes on Profits"* Ricardo says:

> "Taxes on those commodities, which are generally denominated luxuries, fall on those only who make use of them... But taxes on necessaries do not affect the consumers of necessaries, in proportion to the quantity that may be consumed by them, but often in a much higher proportion." "For example, a tax on corn...it alters the rate of profits of stock... Whatever raises the wages of labour, lowers the profits of stock; therefore every tax on any commodity consumed by the labourer,

> has a tendency to lower the rate of profits" (l.c. p. 231).

Taxes on consumers are at the same time taxes on producers, in so far as the object taxed enters not only into individual consumption but also into industrial consumption, or only into the latter. This does not, however, apply only to the necessaries consumed by workmen. It applies to all materials industrially consumed by the capitalist. Every tax of this kind reduces the rate of profit, because it raises the value of the constant capital in relation to the variable. For example, a tax imposed on flax or wool. ||642| The flax rises in price. The flax spinner can therefore no longer purchase the same quantity of flax with a capital of £ 100. Since the method of production has remained the same, he needs the same number of workers to spin the same quantity of flax. But the flax has a greater value than before, in relation to the capital laid out in wages. The rate of profit therefore falls. It does not help him at all that the price of linen-yarn rises. The absolute level of this price is in fact immaterial to him. What matters is only the excess of this price over the price of the capital advanced. If he wanted to raise [the price of] the total product, not only by [the amount necessary to cover the increase in] the price of the flax, but to such an extent that the same quantity of yarn would yield him the same profit as before, then the demand —which is already falling as a result of the rising price of the raw material of the yarn—would fall still further because of the artificial rise due to the higher profit. Although the average rate of profit is given, it is not possible in such cases to raise the price in this way. |642||

||643| [In] Chapter XV "Taxes on Profits" Ricardo says:

> "In a former part of this work, we discussed the effects of the division of capital into fixed and circulating, or rather into durable and

> perishable capital, on the prices of commodities. We skewed that two manufacturers might employ precisely the same amount of capital, and might derive from it precisely the same amount of profits, but that they would sell their commodities for very different sums of money, according as the capitals they employed were rapidly, or slowly, consumed and reproduced. The one might sell his goods for £ 4,000, the other for £ 10,000, and they might both employ £10,000 of capital, and obtain 20 per cent profit, or £ 2,000. The capital of one might consist, for example,[a] of £ 2,000 circulating capital, to be reproduced, and £ 8,000 fixed, in buildings and machinery; the capital of the other, on the contrary, might consist of £ 8,000 of circulating, and of only £ 2,000 fixed capital in machinery and buildings. Now, if each of these persons were to be taxed ten per cent on his income, or £ 200, the one, to make his business yield him the general rate of profit, must raise his goods from £ 10,000 to £10,200; the other would also be obliged to raise the price of his goods from £ 4,000 to £ 4,200. Before the tax, the goods sold by one of these manufacturers were 2 1/2 times more valuable than the goods of the other; after the tax they will be 2.42 times more valuable: the one kind will have risen two per cent; the other five per cent: consequently a tax upon income, whilst money continued unaltered in value, would alter the relative prices *and* value of commodities" (l.c., pp. 234-35).

The error lies in this final "and"—"prices *and* value". This change of prices would only show—just as in the case of capital containing different proportions of fixed and circulating capital—that the establishment of the *general rate of profit* requires that the prices or cost-prices which are determined and regulated by that general rate of profit [are] very different from the *values* of the commodities. And this most important aspect of the question does not exist for Ricardo at all.

In the same chapter he says:

> "If a country were not taxed, and money should fall in value, its abundance in every market" (here [he expresses] the absurd notion that a fall in the value of money ought to be accompanied by its abundance in every market) ||644| "would produce similar effects in each. If meat rose 20 per cent, bread, beer, shoes, labour, and *every commodity*, would also rise 20 per cent; it is necessary they should do so, to secure to each trade the same rate of profits. But this is no longer true when any of these commodities is taxed; if, in that case, they should all rise in proportion to the fall in the value of money, *profits would be rendered unequal;* in the case of the commodities taxed, *profits would be raised above the general level*, and capital *would be removed from one employment to another, till on equilibrium of profits was restored*, which could only be, after *the relative prices were altered*" (l.c., pp. 236-37).

And so this equilibrium of profits is after all brought about by the relative *values*, the "*real values*" of the commodities being altered, and so adjusted that they correspond, not to their real value, but to the average profit which they must yield.

[5. The General Rate of Profit and the Rate of Absolute Rent in Their Relation to Each Other. The Influence on Cost-Prices of a Reduction in Wages]

In Chapter XVII: "*Taxes on other Commodities than Raw Produce*", Ricardo says:

> "Mr. Buchanan considers corn and raw produce as at a monopoly price, because they yield a rent : all commodities which yield a rent, he supposes must be at a monopoly price; and thence he infers, that all taxes on raw produce would fall on the landlord, and not on the consumer. 'The *price of corn*,' he says, 'which always affords a rent, *being in no respect influenced by the expenses of its production*, those *expenses must be paid out of the rent;* and when they rise or fall, therefore, the consequence is not a higher or lower price, but a higher or [...] lower rent. In this view, all taxes on farm servants, horses, or the implements of agriculture, are in reality land-taxes; the burden falling on the farmer during the currency of his lease, and on the landlord, when the lease comes to be renewed. In like manner all those improved implements of husbandry which save expense to the farmer, such as machines for threshing and reaping, whatever gives him easier access to the market, such as good roads, canals and bridges, though they lessen the original cost of corn, *do not lessen its market price*. Whatever is saved by those improvements, therefore, belongs to the landlord as part of his rent.'
>
> "It is evident" (says Ricardo) "that if we yield to Mr. Buchanan the basis on which his argument is built, namely, that the price of corn always yields a rent, all the consequences which he contends for would follow of course" (l.c., pp. 292-93).

This is by no means evident. What Buchanan bases his argument on is not that all corn yields a rent, but that all corn which yields a rent is sold at a *monopoly price*, and that monopoly price—in the sense in which Adam Smith explains it and it has the same meaning with Ricardo—is "the very highest price at which the consumers are willing to purchase it".[b]

But this is wrong. Corn which yields a rent (apart from differential rent) is not sold at a monopoly price in Buchanan's sense. It is sold at a monopoly price, only in so far as it is sold above its *cost-price and at its value*. Its price is determined by the one quantity of labour embodied in it, not by the cost of producing it, and the rent is the excess of the value over the cost-price, it is therefore determined by the latter. The smaller is the cost-price relatively to the value, the greater will be the rent, and the greater the cost-price in relation to the Value, the smaller the rent. All improvements lower the value of the corn because [they reduce] the quantity of labour required for its production. Whether they reduce the rent, depends on various circumstances. If the corn becomes cheaper, and if wages are thereby reduced, then the rate of surplus-value rises. Furthermore, the farmer's expenses in seeds, fodder, etc., would fall. And therewith the rate of profit in all other, non-agricultural, branches of production would rise, hence *also* in agriculture. The relative amounts of immediate and accumulated labour would remain unchanged in the non-agricultural spheres of production; the number of workers (in relation to constant capital) would remain the same, but the value of the variable capital [would] fall, the surplus-value ||645| would therefore rise, and also the rate of profit. *Consequently* [they would] also rise in agriculture. Rent falls here because the rate of profit rises. *Corn becomes cheaper, but its cost-price rises. Hence the difference between its value and its cost-price falls.*

According to our assumption the ratio for the average non-agricultural capital was £ 80c+£ 20v, the rate of surplus-value 50 per cent, hence surplus-value £ 10 and the rate of profit 10 per cent. The value of the product of the average capital of £ 100 was therefore £ 110.

If one assumes, that as a result of the lowering of the price of grain, wages fell by one-quarter, then *the same*

number of workers employed on a constant capital of £ 80, that is on the same amount of raw material and machinery, would now cost only £ 15. And the same amount of commodities would be worth £ 80c+£ 15v+£ 15s, since, according to the assumption, the quantity of labour which they perform equals £ 30. Thus the value of the same amount of commodities is £ 110, as before. But the capital advanced would now amount only to £ 95 and [the rate of profit], £ 15 on £ 95, would be 15 $^{15}/_{19}$ per cent. If, however, the same amount of capital were laid out, that is £ 100, then the ratio would be: £ 84 $^{4}/_{19}$c+£ 15 $^{15}/_{19}$v. The profit, however, would be £ 15 $^{15}/_{19}$. And the value of the product would amount to £ 115 $^{15}/_{19}$. According to the assumption, however, the agricultural capital was £ 60c+£ 40v and the value of its product was £ 120. Rent was £ 10, while the cost-price was £ 110. Now the rent would only be £ 4 $^{4}/_{19}$. For £ 115 $^{15}/_{19}$+£ 4 $^{4}/_{19}$=£ 120.

We see here that the average capital of £ 100 produces commodities at a cost-price of £ 115 $^{15}/_{19}$ instead of the previous £ 110. Has this caused the average price of the commodity to rise?

Its value has remained the same, since the same amount of labour is required to transform the same amount of raw material and machinery into product. But the same capital of £ 100 sets in motion more labour, and while previously it transformed £ 80, now it transforms £ 84 $^{4}/_{19}$ constant capital into product. A greater proportion of this labour is, however, now unpaid. Hence there is an increase in profit and in the *total value* of the commodities produced by [a capital of] £ 100. The value of the individual commodity has remained the same, but more commodities *at the same value* are being produced with a capital of £ 100. What is however the position of the cost-price in the individual branches of production?

Let us assume that the non-agricultural capital consisted of the following capitals:

		[the price of the] product [must be:]	Difference between value and cost-price
I. 80c+20v	In order to	110 (value = 110)	0
II. 60c+40v	sell at the	110 (value = 120)	-10
III. 85c+15v	same cost-	110 (value = $107\frac{1}{2}$)	$+2\frac{1}{2}$
IV. 95c+5v	prices	110 (value = $102\frac{1}{2}$)	$+7\frac{1}{2}$
Thus the average capital = 80c + 20v			

For II the difference is -10, for III and IV [taken together] +10. For the whole capital of £ 400, it is 0-10+10=0. If the product of the capital of £ 400 is sold at £ 440, then the commodities produced by it are sold at *their value*. This yields [a profit of] 10 per cent. But in case II, the commodities are sold at £ 10 below their value, in case III at [£] $2\frac{1}{2}$ above their value and in case IV at [£] $7\frac{1}{2}$ above their value. Only in case I are they sold at their value if they are sold at their cost-price, i.e., £ 100 capital + £ 10 profit.

||646| But what would be the situation as a result of the fall in wages by one-quarter?

For capital I: Instead of £ 80c+£20v, [the outlay is] now $84\frac{4}{19}$c+$15\frac{15}{19}$v, *profit* £ $15\frac{15}{19}$, *value of the product* £ $115\frac{15}{19}$.

For capital II: Now only £30 laid out in wages, since $\frac{1}{4}$ of 40=10 and 40-10=30. The product is £60c+£30v and the surplus-value £30. (For the *value of*

the labour applied is £ 60.) [30 surplus-value] on a capital of £90 equals $33^{1}/_{3}$ per cent. For a [capital of] £ 100 the ratio is: £$66^{2}/_{3}$c+£$33^{1}/_{3}$v *and the value [of the product] is* £$133^{1}/_{3}$. The rate of profit is $33^{1}/_{3}$.

For capital III: Now only 11 $^{1}/_{4}$ [laid out] in wages, for $^{1}/_{4}$ of 15=3 $^{3}/_{4}$ and 15-3 $^{3}/_{4}$=11 $^{1}/_{4}$. The product would be £ 85c+£ $11^{1}/_{4}$v and surplus-value £ 11 $^{1}/_{4}$. (Value of labour applied is £ 22 $^{1}/_{2}$.) [11 $^{1}/_{4}$] on a capital of £ 96 $^{1}/_{4}$. This amounts to 11 $^{53}/_{77}$ per cent. For £ 100 the ratio is 88 $^{24}/_{77}$c+11 $^{53}/_{77}$v. The rate of profit is £ 11 $^{53}/_{77}$ and [the value of the] product £ 111 $^{53}/_{77}$.

For capital IV: Now only 3 $^{3}/_{4}$ laid out in wages, for $^{1}/_{4}$ of 5=1 $^{1}/_{4}$ and 5-$^{11}/_{4}$=3 $^{3}/_{4}$. The product is £ 95c+£ $3^{3}/_{4}$v and the surplus-value £ 3 $^{3}/_{4}$ (for the value of the total labour is 7 $^{1}/_{2}$). [3 $^{3}/_{4}$] on a capital of 98 $^{3}/_{4}$. This amounts to 3 $^{63}/_{79}$ per cent. For 100 the ratio is: 96 $^{16}/_{79}$c+3 $^{63}/_{79}$v. The rate of profit is 3 $^{63}/_{79}$. The value [of the product] is 103 $^{63}/_{79}$.

We would therefore have the following:

	Rate of profit		[the price of the] product [must be:]	Difference between cost-price and value
I. $84^{4}/_{19}$c + $15^{15}/_{19}$v	$15^{15}/_{19}$	In order	116 (value = $115^{15}/_{19}$)	$+^{4}/_{190}$
II. $66^{2}/_{3}$c+$33^{1}/_{3}$v	$33^{1}/_{3}$	to sell at	116 (value = $113^{1}/_{3}$)	$-17^{1}/_{3}$
III. $88^{24}/_{77}$c+$11^{53}/_{77}$v	$11^{53}/_{77}$	the same	116 (value = $111^{53}/_{77}$)	$+4^{24}/_{77}$
IV. $96^{16}/_{79}$c + $3^{63}/_{79}$v	$3^{63}/_{79}$	cost-prices	116 (value = $103^{63}/_{77}$)	$+12^{16}/_{79}$

Total 400 64 (to the nearest whole number)

This makes 16 per cent. More exactly, a little more than l6 $^{1}/_{7}$ per cent. The calculation is not quite correct because we have disregarded, not taken into account a fraction of the average profit; this makes the negative difference in II appear a little too large and [the positive] in 1,111, IV a little too small. But it can be seen that otherwise the positive and negative differences would cancel out; further, it can be seen that on the one hand the sale of II *below* its value and of III and particularly of IV *above* their value would increase considerably. True, the addition to or reduction of the price would not be so great for the individual product as might appear here, since in all four categories more labour is employed and hence more constant capital (raw materials and machinery) is transformed into product. The increase or reduction in price would thus be spread over a larger volume of commodities. Nevertheless it would still be considerable.

It is thus evident that a fall in wages would cause a rise in the cost-prices of I, III, IV, in fact a very considerable rise in the cost-price of IV. It is the same law as that developed by Ricardo in relation to the difference between circulating and fixed capital, but he did not by any means prove, nor could he have proved, that this is reconcilable with the law of value and that the value of the products remains the same for the total capital.

||647| The calculation and the adjustment becomes much more complicated if we take into account those differences in the organic composition of the capital which arise from the circulation process. For in our calculation, above, we assumed that the whole of the *constant capital* which has been advanced, enters into the product, i.e., that it contains only the *wear and tear* of the fixed capital, for one year, for example (since we have to calculate the profit for the year). The va1ues

of the total product would otherwise be very different, whereas here they only change with the variable capital. Secondly, with a constant rate of surplus-value but varying periods of circulation, there would be greater differences in the *amount of surplus-value created*, relatively to the capital advanced. Leaving out of account any differences in variable capital, the amounts of the surplus-values would be proportionate to the amounts of the va1ues created by the same capitals. The rate of profit would be even lower where a relatively large part of the constant capital consisted of fixed capital and considerably higher, where a relatively large part of the capital consisted of circulating capital. It would be highest where the variable capital was relatively large as compared with the constant capital and where the fixed portion of the latter was at the same time relatively small. If the ratio of circulating to fixed capital in the constant capital were *the same* in the different capitals, then the only determining factor would be the difference between variable and constant capital. If the ratio of variable to constant capital were the same, then it would be the difference between fixed and circulating capital, that is, only the difference within the constant capital itself.

As we have seen above, the farmer's rate of profit would rise, in any case, if, as a result of the lower price of corn, the general rate of profit of the non-agricultural capital increased. The question is whether his rate of profit would rise directly, and this appears to depend on the nature of the improvements. If the improvements were of such a kind that the capital laid out in wages decreased considerably compared with that laid out in machinery, etc., then his rate of profit need not necessarily rise directly. If, for example, it was such that he required one-quarter less workers, then instead of his original outlay of £40 in wages, he would now pay only £ 30. Thus his capital would be £ 60c+£ 30v, or on £ 100 it would be £

66 2/3c+£ 33 1/3v. And since the labour costing £ 40 [provides a surplus-value of] £ 20, the labour costing £ 30 provides £ 15. And £ 16 2/3 [surplus-value is derived] from the labour costing £ 33 1/3. Thus the organic composition would approach that of the non-agricultural capital. And in the above case, with a simultaneous decrease in wages by one-quarter, it would fall even *below* that of the non-agricultural capital. In this case, rent (absolute rent) would disappear.

Following upon the above-quoted passage on Buchanan, Ricardo says:

> "I hope I have made it sufficiently clear, that until a country is cultivated in every part, and up to the highest degree, there is always a *portion of capital employed on the kind* which yields no rent, *and*" (!) "that it is this portion of capital, the result of which, as in manufactures, is divided between profits and wages that *regulates the price of corn*. The price of corn, then, which does not afford a rent, being influenced by the expenses of its production, those expenses cannot be paid out of rent. The consequence therefore of those expenses increasing, is a higher price, and not a lower rent" (l.c., p. 293).

Since absolute rent is equal to the excess of the value of the agricultural product over its price of production, it is clear that all factors which reduce the *total quantity* of labour required in the production of corn, etc., reduce the rent, because they reduce the value, hence the excess of the value over the price of production. In so far as the price of production consists of expenses, its fall is identical and goes hand in hand with the fall in value. But in so far as the price of production (or the expenses) is equal to the capital advanced plus the average profit, the very reverse is the case. The market-value of the product falls, but that part of it, which is equal to the price of production, rises, if the general rate of profit rises as a result of the fall in the market-value of corn. The rent,

therefore, falls, because the expenses in this sense rise—and this is how Ricardo takes expenses elsewhere, when he speaks of cost of production. Improvements in agriculture, which bring about an increase in constant capital as compared with variable, would reduce rent considerably, even if the total quantity of labour employed fell only slightly, or so slightly that it did not influence wages (surplus-value, directly) at all. Suppose, as a result of such improvements, the composition of the capital altered from £ 60c+£ 40v to £ $66^{2}/_{3}$c+£ $33^{1}/_{3}$v (this might occur, for example, as a result of rising wages, caused by emigration, war, discovery of new markets, prosperity in the non-agricultural industry [or it could occur as a result of the] competition of foreign corn, the farmer might feel impelled to find means of employing more constant capital and less variable; the same circumstances could continue to operate after the introduction of the improvement and wages therefore might not fall despite the improvement).

||648| Then the value of the agricultural product would be reduced from £ 120 to £ $116\ ^{2}/_{3}$, that is, by £ $3\ ^{1}/_{3}$. The rate of profit would continue to be 10 per cent. The rent would fall from £ 10 to £ $6\ ^{2}/_{3}$ and, moreover, this reduction would have taken place without any reduction whatsoever in wages.

The absolute rent may rise because the general rate of profit falls, owing to new advances in industry. The rate of profit may fall due to a rise in rent, because of an increase in the value of agricultural produce which is accompanied by an increase in the difference between its value and its cost-price. (At the same time, the rate of profit falls because wages rise.)

The absolute rent can fall, because the value of agricultural produce falls and the general rate of profit rises. It can fall, because the value of the agricultural produce falls as a result of a fundamental change in the

organic composition of capital, without the rate of profit rising. It can disappear completely, as soon as the *value of the agricultural produce* becomes equal to the *cost-price*, in other words when the agricultural capital has the same composition as the non-agricultural, average capital.

Ricardo's proposition would only be correct if expressed like this : When the value of agricultural produce equals its cost-price, then there is no absolute rent. But he is wrong because he says: There is no absolute rent *because* value and cost-price are altogether identical, both in industry and in agriculture.* On the contrary, agriculture would belong to an exceptional class of industry, if its value and cost-price were identical.

Even when admitting that there may be no portion of land which does not pay a rent, Ricardo believes that by referring to the fact that at least some portion of the capital employed on this land pays no rent he substantially improves his case. The one fact is as irrelevant to the theory as the other. The real question is this: Do the products of these lands or of this capital regulate the market-value? Or must they not rather sell their products *below* their value, because their additional supply is only saleable *at*, not *above*, this market-value which is regulated without them. So far as the portion of capital is concerned, the matter is simple, because for the farmer who invests an *additional amount of capital landed property does not exist* and as a capitalist he is only concerned with the cost-price; if he possesses the additional capital, it is more advantageous for him to invest it on his farm, even *below* the average profit, than to *lend it out* and to receive only interest and no profit. So far as the land is concerned, those portions of land which do not pay a rent form component parts of estates that pay rent and are not separable from the estates with which they are let; they cannot however be let in isolation from the rest to a capitalist farmer (but perhaps to a

cottager or to a small capitalist). In relation to these bits of land, the farmer is again not confronted by "landed property". Alternatively, the owner of the land must cultivate it himself. The farmer cannot pay a rent for it and the landlord does not let it *for nothing*, unless he wants to have his land made arable in this fashion without incurring any expense.

The situation would be different in a country in which the composition of the agricultural capital was equal to the average composition of the non-agricultural capital, which presupposes a high level of development in agriculture or a low level of development in industry. In this case the value of the agricultural produce would be equal to its cost-price. Only differential rent could be paid then. The land which yields no differential rent but *only* an agricultural rent, could then pay no rent. For if the farmer sells the agricultural produce at its value, it only covers its cost-price. *He* therefore pays no rent. The landowner must then cultivate the land himself, or the so-called rent collected by him is a part of his tenant's profit or even of his wages. That this might be the case in one country does not mean that the opposite might not happen in another country. Where, however, industry—and therefore capitalist production—is at a low level of development, there are no capitalist farmers, whose existence would presuppose capitalist production on the land. Thus, quite different circumstances have to be considered here, from those involved in the economic organisation in which landed property as an economic category exists only in the form of rent.

In the same Chapter XVII, Ricardo says:

> "Raw produce is not at a monopoly price, because the market price of barley and wheat is as much regulated by their *cost of production*, as the market price of cloth and linen. The only difference is this, that *one portion of the capital* employed in agriculture regulates the

> price of corn, namely, that portion which pays no rent; whereas, in the *production of manufactured commodities, every portion of capital is employed with the same results;* and as *no portion pays rent, every portion is equally a regulator of price*" (l.c., pp. 290-91).

This assertion, that every portion of capital is employed with the same results and that none pays rent (which is, however, called excess profit here) is not only wrong, but has been refuted by Ricardo himself ||650| as we have seen previously.

We now come to the presentation of Ricardo's theory of surplus-value.

[B. Ricardo on the Problem of Surplus-Value]

1. Quantity of Labour and Value of Labour. [As Presented by Ricardo the Problem of the Exchange of Labour for Capital Cannot Be Solved]

Ricardo opens *Chapter I, "On Value"*, with the following heading of *Section I:*

> "The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative *quantity of labour* which is necessary for its production, and not on the greater or less compensation which is paid for *that labour*" (l.c., p. 1).

In the style which runs through the whole of his enquiry, Ricardo begins his book here by stating that the determination of the value of commodities by labour-time is *not* incompatible with *wages*, in other words with the varying compensation paid for that labour-time or that quantity of labour. From the very outset, he turns against Adam Smith's confusion between the determination of the value of commodities by the relative *quantity of labour* required for their production and the *value of labour* (or the compensation paid for labour).

It is clear that the proportional quantity of labour contained in two commodities A and B, is absolutely unaffected by whether the workers who produce A and B receive much or little of the product of their labour. The value of A and B is determined by the *quantity of labour* which their production costs, and not by the *costs of labour* to the owners of A and B. Quantity of labour and value of labour are two different things. The quantity of labour which is contained in A and B respectively, has nothing to do with how much of the *labour* contained in A and B the owners of A and B, have *paid* or even *performed themselves*. A and B are exchanged not in proportion to the *paid* labour contained in them, but in proportion to the total quantity of labour they contain, paid and unpaid.

> "Adam Smith, who so accurately defined the original source of exchangeable value, and who was bound in consistency to maintain, that all things became more or less valuable in proportion as more or less labour was bestowed on their production, has himself erected another standard measure of value, and speaks of things being more or less valuable, in proportion as they will *exchange for more or less of this standard measure* ... as if *these were two equivalent expressions*, and as if because a man's labour had become doubly efficient, and he could therefore produce twice the quantity of a commodity, he would

necessarily receive twice the former quantity in exchange for it" (that is for his labour).

"If this indeed were true, *if the reward of the labourer were always in proportion to what he produced, the quantity of labour bestowed on a commodity, and the quantity of labour which that commodity would purchase, would be equal*, and either might accurately measure the variations of other things: *but they are not equal*" (l.c., p. 5).

Adam Smith nowhere asserts that "these were two equivalent expressions". On the contrary, he says: Because in capitalist production, the wage of the worker is *no* longer equal to his product, therefore, the quantity of labour which a commodity costs and the quantity of commodities that the worker can purchase with this labour are two different things—for *this very reason* the relative quantity of labour contained in commodities ceases to determine their value, which is now determined rather by the *value of labour*, by the quantity of labour that I can purchase, or command with a given amount of commodities. Thus the *value of labour*, instead of the *relative quantity* of labour becomes the measure of value. Ricardo's reply to Adam Smith is correct—that the *relative quantity of labour* which is contained in two commodities is in no way affected by how much of this quantity of labour falls to the workers themselves and by the way this labour is remunerated; if the *relative quantity of labour* was the measure of value of commodities *before* the supervention of wages (wages that differ from the value of the products themselves), there is therefore no reason at all, why it should not continue to be so *after* wages have come into being. He argues correctly, that Adam Smith could use both expressions so long as they were equivalent, but that this is no reason for using the wrong expression instead of the right one when they have ceased to be equivalent.

But Ricardo has by no means thereby solved the problem which is the real cause of Adam Smith's contradiction. *Value of labour* and *quantity of labour* remain "equivalent expressions", so long as it is a question of *materialised labour*. ||651| They cease to be equivalents as soon as *materialised labour* is exchanged for *living labour*.

Two *commodities* exchange in proportion to the *labour materialised in them*. Equal quantities of materialised labour are exchanged for one another. Labour-time is their standard measure, but precisely for this reason they are "more or less valuable, in proportion as they will exchange for more or less of this standard measure" [l.c., p. 5]. If the commodity A contains one working-day, then it will exchange against any quantity of commodities which likewise contains one working-day and it is "more or less valuable" in proportion as it exchanges for more or less materialised labour in other commodities, since this exchange relationship expresses, is identical with, the relative quantity of labour which it itself contains.

Now wage-labour, however, is a *commodity*. It is even the basis on which the production of *products* as *commodities* takes place. The *law of values* is not applicable to it. Capitalist production therefore is not governed at all by this law. Therein lies a contradiction. This is the first of Adam Smith's problems. The second—which we shall find further amplified by Malthus—lies in the fact that the *utilisation* of a commodity (as capital) is proportional not to the amount of labour it contains, but to the 'extent to which it commands the *labour of others*, gives power over *more* labour of others than it itself contains. This is in fact a second latent reason for asserting that since the beginning of capitalist production, the value of commodities is determined not by the labour they contain but by the living labour which they command, in other words, by the *value of labour*.

Ricardo simply answers that this is how matters are in capitalist production. Not only does he fail to solve the problem; he does not even realise its existence in Adam Smith's work. In conformity with the whole arrangement of his investigation, Ricardo is satisfied with demonstrating that the changing value of labour—in short, wages—*does not invalidate* the determination of the value of the *commodities*, which are distinct from labour itself, by the relative quantity of labour contained in them. "*They are not equal*", that is "the quantity of labour bestowed on a commodity, and the quantity of labour which that commodity would purchase" (l.c., p.5). He contents himself with stating this fact. But how does the commodity labour differ from other commodities? One is *living labour* and the other *materialised* labour. They are, therefore, only two different forms of labour. Since the difference is only a matter of form, why should a law apply to one and not to the other? Ricardo does not answer—he does not even raise this question.

Nor does it help when he says:

> "Is not the value of labour ... variable; being not only affected, as all other things" (should read commodities) "are, by the proportion between the supply and demand, which uniformly varies with every change in the condition of the community, but also by the varying price of food and other necessaries, on which the *wages of labour are expended?*" (l.c., p. 7).

That the price of labour, like that of other commodities, changes with supply and demand proves nothing in regard to the *value* of labour, according to Ricardo, just as this change of price with supply and demand proves nothing in regard to the value of other commodities. But that the "wages of labour"—which is only another expression for the value of labour—are affected by "the varying price of food and other necessaries, on which the

wages of labour are expended", shows just as little why the value of labour is (or appears to be) determined differently from the value of other commodities. For these too are affected by the varying price of other commodities which enter into their production and against which they are *exchanged*. That the wages of labour are *spent* upon food and necessaries, means after all only that the value of labour is *exchanged* against food and necessaries. The question is just why *labour* and the *commodities against which it is exchanged*, do not exchange according to the law of value, i.e., according to the relative quantities of labour.

Posed in this way, *presupposing* the *law of value*, the question is intrinsically insoluble, because *labour* as such is counterposed to *commodity*, a definite quantity of immediate labour as such is counterposed to a definite quantity of materialised labour.

This weakness in Ricardo's discourse, as we shall see later, has contributed to the disintegration of his school, and led to the proposition of absurd hypotheses.

||652| *Wakefield* is right when he says:

> "Treating *labour* as a *commodity*, and *capital*, the produce of labour, as another, then, if the *value of these two commodities* were *regulated by equal quantities of labour*, a given amount of labour would, under all circumstances, exchange for that quantity of capital which had been produced by the same amount of labour, *antecedent labour* [...] *would always exchange for the same amount of present labour* [...] It follows, that[c] the value of labour in relation to other commodities, in so far, at least, as wages depend upon share, is determined, *not by equal quantities of labour*, but by the proportion between supply and demand." (E. G. Wakefield, Note on p. 230 of Vol. I of his edition of Adam Smith's *Wealth of Nations*, London, 1835.)

This is also one of *Bailey's* hobby-horses; to be looked up later. Also *Say*, who is very pleased to find that here, all of a sudden, supply and demand are said to be the decisive factors. |652||

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||652| *Re 1.* Another point to be noted here: Chapter I, *Section 3*, bears the following superscription:

> "Not only *the labour applied immediately* to commodities affects their value, but the *labour also* which is *bestowed* on the implements, tools, and buildings, with which such labour is assisted" (David Ricardo, *On the Principles of Political Economy, and Taxation*, London, 1821, p. 16).

Thus the value of a commodity is equally determined by the quantity of *materialised (past)* labour and by the quantity of *living (immediate)* labour required for its production. In other words: the quantities of labour are in no way affected by the *formal difference* of whether the labour is materialised or living, past or present (immediate). If this difference is of no significance in the determination of the value of commodities, why does it assume such decisive importance when past labour (capital) is exchanged against living labour? Why should it, in this case, invalidate the law of value, since the difference *in itself*, as shown in the case of commodities, has no effect on the determination of value? Ricardo does not answer this question, he does not even raise it. |652||

2. Value of Labour-Power. Value of Labour. [Ricardo's

Confusion of Labour with Labour-Power. Concept of the "Natural Price of Labour"]

||652| In order to determine surplus-value, Ricardo, like the Physiocrats, Adam Smith, etc., must first determine the *value of labour-power* or, as he puts it—following Adam Smith and his predecessors—the *value of labour*. |652||

||652| How then is the *value* or *natural price* of labour determined? According to *Ricardo*, the *natural price* is in fact nothing but the *monetary* expression of *value*.

> "*Labour*, like all other things which are purchased and sold, and which may he increased or diminished in quantity" (that is like all other commodities) "has its natural and its market price. *The natural price of labour* is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution." (Should read: with that rate of increase, required by the average progress of production.)
>
> "The power of the labourer to support himself, and the family which may he necessary to keep up the number of labourers ... depends on *the price of the food, necessaries, and conveniences required for the support of the labourer and his family*. With a rise in the price of food and necessaries, the natural price of labour will rise; with the fall in their price, the natural price of labour will fall" (l.c., p. 86).
>
> "It is not to be understood that the natural price of labour, estimated even in food and necessaries, is absolutely fixed and constant. It varies at different times in the same country,

> and very materially differs in different countries. It essentially depends on the habits and customs of the people" (l.c., p. 91).

The *value of labour* is therefore determined by the *means of subsistence* which, in a given society, are traditionally *necessary* for the maintenance and reproduction of the labourers.

But why? By what law is the *value of labour* determined in this way?

Ricardo has in fact no answer, other than that the law of supply and demand reduces the average price of labour to the means of subsistence that are necessary (physically or socially necessary in a given society) for the maintenance of the labourer. ||653| He determines *value* here, in one of the basic propositions of the whole system, by *demand and supply—as* Say notes with malicious pleasure (see Constancio's translation).

Instead of *labour*, Ricardo should have discussed *labour-power*. But had he done so, *capital* would also have been revealed as the material conditions of labour, confronting the labourer as power that had acquired an independent existence and capital would at once have been revealed as a *definite social relationship*. Ricardo thus only distinguishes capital as "accumulated labour" from "immediate labour". And it is something purely physical, only an element in the *labour-process*, from which the relation between labour and capital, wages and profits, could never be developed.

> "*Capital* is that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, etc., necessary to give effect to labour" (l.c., p. 89). "*Less capital*, which is the *same* thing as *less labour* ..." (l.c., p. 73). "Labour and *capital* (that is *accumulated labour)*[d]" (l.c., p. 499).

The jump which Ricardo makes here is correctly sensed by *Bailey:*

> "Mr. Ricardo, ingeniously enough, avoids a difficulty, which, on a first view, threatens to encumber his doctrine, that value depends on the quantity of labour employed in production. If this principle is rigidly adhered to, it follows, that the *value of labour* depends *on the quantity of labour employed in producing* it—which is evidently absurd. By a dexterous turn, therefore, Mr. Ricardo makes the value of labour depend on the quantity of labour required to produce wages, or, to give him the benefit of his own language, he maintains, that the *value of labour is to be estimated* by the quantity of labour required to produce wages, by which lie means, the quantity of labour required to produce the money or commodities given to the labourer. This is similar to saying, that the value of cloth is to be estimated, not by the quantity of labour bestowed on[e] its production, but by the quantity of labour bestowed on the production of the silver, for which the cloth is exchanged." (Samuel Bailey, *A Critical Dissertation on the Nature, Measures, and Causes of Value, etc.*, London, 1825, pp. 50-51.)

Literally the objection raised here is correct. Ricardo distinguishes between *nominal* and *real wages*. Nominal wages are wages expressed in money, money wages.

> *Nominal wages* are "the number of pounds that may be annually paid to the labourer" but *real wages* are "the *number of day's work*, necessary to obtain those pounds" (David Ricardo, l.c., p. 152).

As wages are equal to the necessary means of subsistence of the labourer, and the value of these wages (the real wages) is equal to the value of these means of subsistence, it is obvious that the value of these necessary means of subsistence is also equal to the real wages, that

is, to the labour which they can command. If the value of the means of subsistence changes, then the value of the real wages changes. Assume that the means of subsistence of the labourer consist only of corn, and that the quantity of means of subsistence which he requires is 1 quarter of corn per month. Then the value of his wages [for one month] equals the value of 1 quarter of corn; if the value of the quarter of corn rises or falls, then the value of the month's labour rises or falls. But however much the value of the quarter of corn rises or falls (however much or little labour the quarter of corn contains), it is always equal to the value of one month's labour.

And here we have the *hidden reason* for Adam Smith's assertion, that as soon as capital, and consequently wage-labour, intervenes, the value of the product is not regulated by the quantity of labour bestowed upon it, but by the quantity of labour it an command. The value of corn (and of other means of subsistence) determined by labour-time, changes; but, so long as the natural price of labour is paid, the quantity of labour that the quarter of corn can command remains the same. Labour has therefore, a *permanent relative value as compared with corn*. That is why for Smith too, the value of labour and the value of corn ([representing] *food* [in general]. See *Deacon Hume*) are standard measures of value, because so long as the natural price of labour is paid, a given quantity of corn always commands [the same] quantity of labour, whatever the quantity of labour bestowed upon one quarter of corn may be. The same quantity of labour always commands the same *use-value*, or rather the same use-value always commands *the same quantity of labour*.

Even Ricardo determines the value of labour, its natural price, in this way. Ricardo says: The quarter of corn may have very different values, although it always commands—or is commanded by—the

same ||654| quantity of labour. Yes, says Adam Smith: However much the value of the quarter of corn, determined by labour-time, may change, the worker must always pay (sacrifice) the same quantity of labour in order to buy it. The value of corn therefore alters, but the value of labour does not, since one month's labour equals one quarter of corn. The value of the corn too changes only in so far as we are considering the labour required for its production. If, on the other hand, we examine the quantity of labour against which it exchanges, which it sets into motion, its value does not change. And that is precisely why the quantity of labour, against which a quarter of corn is exchanged, is the *standard measure of value*. But the va1ues of the other commodities have the same relation to labour as they have to corn. A given quantity of corn commands a given quantity of labour. A given quantity of every other commodity commands a certain quantity of corn. Hence every other commodity—or rather the value of every other commodity—is expressed by the quantity of labour it commands, since it is expressed by the quantity of corn it commands, and the latter is expressed by the quantity of labour it commands.

But how is the value of other commodities in relation to corn (means of subsistence) determined? By the quantity of labour they command. And how is the quantity of labour they command determined? By the quantity of corn that labour commands. Here Adam Smith is inevitably caught up in a vicious circle. (Incidentally, he *never* uses this measure of value when making an actual analysis.) Moreover here he confuses—as Ricardo also often does—labour, the *intrinsic* measure of value, with *money*, the *external measure*, which presupposes that value is already determined; although he and Ricardo have declared that labour is "the *foundation of the value* of commodities" while "the comparative quantity of labour which is necessary to their production" is "the rule which determines the respective quantities of goods

which shall be given in exchange for each other" (Ricardo, l.c., p.80).

Adam Smith errs when he concludes from the fact that a definite quantity of labour is exchangeable for a definite quantity of use-value, that this *definite quantity of labour* is the measure of value and that it always has *the same value*, whereas the same quantity of use-value can represent very different exchange-values. But Ricardo errs twice over; firstly because he does not understand the problem which causes Adam Smith's errors; secondly because disregarding the law of value of commodities and taking refuge in the law of supply and demand, he himself determines the *value of labour*, not by the quantity of labour expended in the production of *labour-power*, but by the quantity of labour expended in the production of the wages which the labourer receives. Thus in fact he says: The value of labour is determined by the value of the money which is paid for it! And what determines this? What determines the amount of money 'that is paid for it? The quantity of use-value that a given amount of labour commands or the quantity of labour that a definite quantity of use-value commands. And thereby he falls *literally* into the very inconsistency which he himself condemned in Smith.

This, as we have seen, also prevents him from grasping the specific distinction between *commodity* and *capital*, between the exchange of commodity for commodity and the exchange of capital for commodity—in accordance with the law of exchange of commodities.

The above example was this: 1 quarter of corn equals 1 month's labour, say 30 working-days. (A working-day of 12 hours.) In this case the value of 1 quarter corn is less than 30 working-days. If 1 quarter corn were the product of 30 working-days, the value of the labour would be equal to its product. There would be no surplus-value, and therefore no profit. No capital. In actual fact,

therefore, if 1 quarter corn represents the wages for 30 working-days, the value of 1 quarter corn is always less than 30 working-days. The surplus-value depends on how much less it is. For example, 1 quarter corn may be equal to 25 working-days. Then the surplus-value equals 5 working-days, which is $^1/_6$ of the total labour-time. If 1 quarter (8 bushels) equals 25 working-days, then 30 working-days are equal to 1 quarter $1\,^3/_5$ bushels. The *value* of the 30 working-days (i.e., the wage) is therefore always smaller than the value of the product which contains the labour of 30 days. The value of the corn is thus determined not by the ||655| labour which it commands, for which it exchanges, but by the labour which is contained in it. On the other hand, the *value of the 30 days' labour* is always determined by 1 quarter corn, whatever this may be.

3. Surplus-Value. [An Analysis of the Source of Surplus-Value Is Lacking in Ricardo's Work. His Concept of Working-Day as a Fixed Magnitude]

Apart from the confusion between labour and labour-power, Ricardo defines the average wages or the value of labour correctly. For he says that it [the value of labour] is determined neither by the money nor by the means of subsistence which the labourer receives, but by the *labour-time which it costs to produce it;* that is, by the *quantity of labour materialised* in the means of

subsistence of the labourer. This he calls the *real* wages. (See later.)

This definition [of the value of labour], moreover, necessarily follows from his theory. Since the value of labour is determined by the *value of the necessary means of subsistence* on which this value is to be expended, and the *value of the means of subsistence*, like that of all other commodities, is determined by the *quantity of labour they contain*, it naturally follows that the value of labour equals the value of the means of subsistence, which equals *the quantity of labour expended upon them*.

However correct this formula is (apart from the direct opposition of labour and capital), it is, nevertheless, inadequate. Although in replacement of his wages the individual labourer does not directly *produce—or reproduce*, taking into account the continuity of this process—products on which he lives <he may produce products which do not enter into his consumption at all, and even if he produces necessary means ‘of subsistence, he may, due to the division of labour, only produce a single part of the necessary means of subsistence, for instance corn—and even that only in one form (for example in that of corn, not bread)>, but he *produces* commodities to the *value* of his means of subsistence, that is, he produces the *value* of his means of subsistence. This means, therefore, if we consider his daily average consumption, that the labour-time which is contained in his daily means of subsistence, forms one part of *h i s working-day*. He works one part of the day in order to reproduce the *value* of his means of subsistence; the commodities which he produces in this part of the working-day have the same value, or represent a *quantity* of labour-time equal to that contained in his daily means of subsistence. *It depends on the value of these means of subsistence*—in other words on the social productivity of labour and not on the productivity of the individual branch of production in which he works—

how *great a part of his working-day* is devoted to the reproduction or production of the *value*, i.e., the equivalent, of his means of subsistence.

Ricardo of course assumes that the labour-time contained in the daily means of subsistence is equal to the labour-time which the labourer must work daily in order to reproduce the value of these means of subsistence. But by not *directly* showing that one *part* of the labourer's *working-day* is assigned to the reproduction of the value of his own labour-power, he introduces a difficulty and obscures the clear understanding of the relationship. A twofold confusion arises from this. The *origin of surplus-value* does not become clear and consequently Ricardo is reproached by his successors for having failed to grasp and expound the nature of surplus-value. That is part of the reason for their scholastic attempts at explaining it. But because thus the origin and nature of surplus-value is not clearly comprehended, the surplus-labour plus the necessary labour, in short, the *total working-day*, is regarded as a fixed magnitude, the differences in the amount of surplus-value are overlooked, and the productivity of capital, the *compulsion to perform surplus-labour—on* the one hand [to perform] absolute surplus-labour, and on the other its innate urge to shorten the necessary labour-time—are not recognised, and therefore the *historical* justification for capital is not set forth. Adam Smith, however, had already stated the correct formula. Important as it was, to resolve value into labour, it was equally important to resolve surplus-value into surplus-labour, and to do so in explicit terms.

Ricardo starts out from the actual fact of capitalist production. The value of labour is smaller than the value of the product which it creates. The value of the product is therefore greater than the value of the labour which produces it, or the value of the wages. The excess of the value of the product *over* the value of the wages is the

surplus-value. (Ricardo wrongly uses the word *profit*, but, as we noted earlier, he identifies profit with surplus-value here and is really speaking of the latter.) For him it is a fact, that the value of the product is greater than the value of the wages. How this fact arises, remains unclear. The total working-day *is greater* than that part of the working-day which is required for the production of the wages. Why? That does not emerge. The *magnitude of the total working-day* is therefore wrongly assumed to be *fixed*, and directly entails wrong conclusions. The increase or decrease in surplus-value can therefore be explained *only* from the growing or diminishing productivity of social labour which produces the means of subsistence. That is to say, only relative surplus-value is understood.

||656| It is obvious that if the labourer needed his whole day to produce his own means of subsistence (i.e., commodities equal to the value of his own means of subsistence), there could be no surplus-value, and therefore no capitalist production and no wage-labour. This can only exist when the productivity of social labour is sufficiently developed to make possible some sort of excess of the total working-day over the labour-time required for the reproduction of the wage—i.e., *surplus-labour*, whatever its magnitude. But it is equally obvious, that with a given labour-time (a given length of the working-day) the productivity of labour [may be very different], on the other hand, with a given productivity of labour, the labour-time, the length of the working-day, may be very different. Furthermore, it is clear that though the existence of *surplus-labour* presupposes that the productivity of labour has reached a certain level, the mere *possibility* of this surplus-labour (i.e., the existence of that necessary minimum productivity of labour), does not in itself make it a *reality*. For this to occur, the labourer must first be *compelled* to work in excess of the [necessary] time,

and this compulsion is exerted by capital. This is missing in Ricardo's work, and therefore also the whole struggle over the regulation of the normal working-day.

At a low stage of development of the social productivity of labour, that is to say, where the surplus-labour is relatively small, the class of those who live on the labour of others will generally be small in relation to the number of labourers. It can considerably grow (proportionately) in the measure in which productivity and therefore relative surplus-value develop.

It is moreover understood that the *value of labour* varies greatly in the same country at different periods and in different countries during the same period. The temperate zones are however the home of capitalist production. The *social* productive power of labour may be very undeveloped; yet this may be compensated precisely in the production of the means of subsistence, on the one hand, by the fertility of the natural agents, such as the land; on the other hand, by the limited requirements of the population, due to climate, etc.—this is, for instance, the case in India. Where conditions are primitive, the minimum wage may be very small (quantitatively in use-values) because the social needs are not yet developed though it may cost much labour. But even if an average amount of labour were required to produce this minimum wage, the surplus-value created, although it would be high in proportion to the wage (to the necessary labour-time) , would, even with a high rate of surplus-value, be just as meagre (proportionately)—when expressed in terms of use-values—as the wage itself.

Let the necessary labour-time be 10 hours, the surplus-labour 2 hours, and the total working-day 12 hours. If the necessary labour-time were 12 hours, the surplus-labour $2\,{}^{2}/_{5}$ hours and the total working-day $14\,{}^{2}/_{5}$ hours, then the values produced would be very different. In the first case they would amount to 12 hours, in the second to

14 $^{2}/_{5}$ hours. Similarly, the absolute magnitude of the surplus-value: In the former case it would be 2 hours, in the latter 2 $^{2}/_{5}$. And yet the *rate of surplus-value* or of *surplus-labour* would be the same, because 2:10=2 $^{2}/_{5}$:12. If, in the second case, the variable capital which is laid out were greater, then so also would be the surplus-value or surplus-labour appropriated by it. If in the latter case, the surplus-labour were to rise by $^{5}/_{5}$ hours instead of by $^{2}/_{5}$ hours, so that it would amount to 3 hours and the total working-day to 15 hours, then, although the *necessary labour-time* or the minimum wage had increased, the *rate of surplus-value* would have risen, for 2:10=$^{1}/_{5}$; but 3:l2=$^{1}/_{4}$. Both could occur if, as a result of the corn, etc., becoming dearer, the minimum wage had increased from 10 to 12 hours. Even in this case, therefore, not only might the rate of surplus-value remain the same, but the amount and rate of surplus-value might grow.

But let us suppose that the necessary wage amounted to 10 hours, as previously, the surplus-labour to 2 hours and all other conditions remained the same (that is, leaving out of account here any lowering in the production costs of constant capital). Now let the labourer work 2 $^{2}/_{5}$ hours longer, and appropriate 2 hours, while the $^{2}/_{5}$ forms surplus-labour. In this case wages and surplus-value would increase in equal proportion, the former, however, representing more than the necessary wage or the necessary labour-time.

If one takes a *given* magnitude and divides it into two parts, it is clear that one part can only increase in so far as the other decreases, and vice versa, But this is by no means the case with expanding (elastic) magnitudes. And the working-day represents such an elastic magnitude, as long as no normal working-day has been won. With such magnitudes, both parts can grow, either to an equal or unequal extent. An increase in one is not brought about by a decrease in the other and vice versa. This is

moreover the only case in which wages and surplus-value, in terms of *exchange-value*, can both *increase* and possibly even in *equal proportions*. That they can increase in terms of use-value is self-evident; this can increase ||657| even if, for example, the value of labour decreases. From 1797 to 1815, when the price of corn and [also] the nominal wage rose considerably in England, the daily hours of labour increased greatly in the principal industries, which were then in a phase of ruthless expansion; and I believe that this arrested the fall in the rate of profit, because it arrested the fall in the rate of surplus-value. In this case, however, whatever the circumstances, the normal working-day is lengthened and the normal span of life of the labourer, hence the normal duration of his labour-power, is correspondingly shortened. This applies where a permanent lengthening of the working-day occurs. If it is only temporary, in order to compensate for a temporary rise in wages, it may (except in the case of children and women) have no other result than to prevent a fall in the rate of profit in those enterprises where the nature of the work makes a prolongation of labour-time possible. (This is least possible in agriculture.)

Ricardo did not consider this at all since he investigated neither the origin of surplus-value nor absolute surplus-value and therefore regarded the working-day as a given magnitude. For this case, therefore, *his* law—that surplus-value and wages (he erroneously says profit and wages) in terms of exchange-value can rise or fall only in *inverse* proportion—is *incorrect*.

Firstly let us assume that the necessary labour-time and the surplus-labour remain constant. That is 10 hours +2 hours; the working-day equals 12 hours, surplus-value equals 2 hours; the rate of surplus-value is $^1/_5$.

[In the second example] the necessary labour-time remains the same; surplus-labour increases from 2 to 4

hours. Hence 10+4=a working-day of 14 hours; surplus-value equals 4 hours; rate of surplus-value is 4:10=$^{4}/_{10}$=$^{2}/_{5}$.

In both cases the necessary labour-time is the same; but the surplus-value in the one case is twice as great as in the other and the working-day in the second case is one-sixth longer than in the first. Furthermore, although the wage is the same, the values produced, corresponding to the quantities of labour, would be very different; in the first case it would be equal to 12 hours, in the second to 12+$^{12}/_{6}$=14 hours. It is therefore wrong to say that, provided the *wage is the same* (in terms of value, of necessary labour-time), the surplus-value contained in two commodities is proportionate to the quantities of labour contained in them. This is only correct where the *normal working-day* is the same.

Let us further assume that as a result of the rise in the productive power of labour, the necessary wage (although it remains constant in terms of use-values) falls from 10 to 9 hours and similarly that the surplus labour-time falls from 2 to 1$^{4}/_{5}$ hours ($^{9}/_{5}$). In this case 10:9=2:1$^{4}/_{5}$. Thus the surplus labour-time would fall in the same proportion as the necessary labour-time. The rate of surplus-value would be the same in both cases, for 2=$^{10}/_{5}$ and 1$^{4}/_{5}$=$^{9}/_{5}$. 1$^{4}/_{5}$:9=2:10. The quantity of use-values that could be bought with the surplus-value, would—according to the assumption—also remain the same. (But this would apply only to those use-values which are necessary means of subsistence.) The working-day would decrease from 12 to 10 $^{4}/_{5}$ [hours]. The amount of value produced in the second case would be smaller than that produced in the first. And despite these unequal quantities of labour, the rate of surplus-value would be the same in both cases.

In discussing surplus-value we have distinguished between surplus-value and the rate of surplus-value, Considered in relation to one working-day, the surplus-

value is equal to the absolute number ‘of hours which it represents, 2, 3, etc. The rate is equal to the proportion of this number of hours to the number of hours which makes up the necessary labour-time. This distinction is very important, because it indicates the varying length of the working-day. If the surplus-value equals 2 hours, then [the rate] is $^{1}/_{5}$, if the necessary labour-time is 10 hours; and $^{1}/_{6}$, if the necessary labour-time is 12 hours. In the first case the working-day consists of 12 hours and in the second of 14. In the first case the rate of surplus-value is greater, while at the same time the labourer works a smaller number of hours per day. In the second case the rate of surplus-value is smaller, the value of the labour-power is greater, while at the same time the labourer works a greater number of hours per day. This shows that, with a constant surplus-value, but a working-day of unequal length, the rate of surplus-value may be different. The earlier case, 10:2 and 9:1 $^{4}/_{5}$, shows how with a constant rate of surplus-value, but a working-day of unequal length, the surplus-value itself may be different, in one case 2 hours and in the other 1 $^{4}/_{5}$ hours.

I have shown previously (Chapter II), that if the length of the working-day and the necessary labour-time, and therefore the rate of surplus-value are given, the amount of surplus-value depends on the *number* of workers simultaneously employed by the same capital. This was a tautological statement. For if 1 working-day gives me 2 surplus hours, then 12 working-days give me 24 surplus hours or 2 surplus days. The statement, however, becomes very important in connection with the determination of profit, which is equal to the proportion of surplus-value to the capital advanced, thus depending on the absolute amount of surplus-value. It becomes important because capitals of equal size but different organic composition employ unequal numbers of labourers; they must thus produce unequal amounts of surplus-value, and therefore unequal profits. With a

falling rate of surplus-value, the profit may rise and with a rising rate of surplus-value, the profit may fall; or the profit may remain unchanged, if a rise or fall in the rate of surplus-value is compensated by a counter movement affecting the number of workers employed. Here we see immediately, how extremely wrong it is ||658| to identify the laws relating to the rise and fall of surplus-value with the laws relating to the rise and fall of profit. If one merely considers the simple law of surplus-value, then it seems a tautology to say that with a given rate of surplus-value (and a given length of the working-day), the absolute amount of surplus-value depends on the amount of capital employed. For an increase in this amount of capital and an increase in the number of labourers simultaneously employed are, on the assumption made, identical, or merely [different] expressions of the same fact. But when one turns to an examination of profit, where the amount of the total capital employed and the number of workers employed vary greatly for capitals of equal size, then the importance of the law becomes clear.

Ricardo starts by considering *commodities* of a given value, that is to say, commodities which represent a *given* quantity of labour. And from this starting-point, absolute and relative surplus-value appear to be always identical. (This at any rate explains the one-sidedness of his mode of procedure and corresponds with his whole method of investigation: to start with the *value* of the commodities as determined by the definite labour-time they contain, and then to examine to what extent this is affected by wages, profits, etc.) This appearance is nevertheless false, since it is not a question of commodities here, but of capitalist production, of commodities as products of capital.

Assume that a capital employs a certain number of workers, for example 20, and that wages amount to £ 20. To simplify matters let us assume that the fixed capital is nil, i.e., we leave it out of account. Further,

assume that these 20 workers spin £ 80 of cotton into yarn, if they work 12 hours per day. If 1 lb. of cotton costs is then 20lbs. cost £ 1 and £ 80 represents, 1,600 lbs. If 20 workers spin 1,600 lbs. in 12 hours, then they spin $1,^{600}/_{12}$ lbs., which is 133 $^{1}/_{3}$ lbs. in one hour. Thus, if the necessary labour-time is 10 hours, then the surplus labour-time is 2 hours and this equals 266 $^{2}/_{3}$ lbs. yarn. The value of the 1,600 lbs. would be £ 104. For if 10 hours of work equal £ 20, then 1 hour of work equals £ 2 and 2 hours of work £ 4, hence 12 [hours of work] are equal to £ 24. ([Raw material] £ 80+£ 24 [the newly-created value] are equal to £ 104.)

But if each of the workers worked 4 hours of surplus-labour, then their product would be equal to £8 (I mean the surplus-value which he creates—his product is in fact equal to £ 28.) The total product would be £ 121 $^{1}/_{3}$. And this £ 121 $^{1}/_{3}$ would be the equivalent of 1,866 $^{2}/_{3}$ lbs. of yarn. As before, since the conditions of production remained the same, 1 lb. of yarn would have the same value; it would contain the same amount of labour-time. Moreover, according to the assumption, the necessary wages— their value, the labour-time they contained would have remained unchanged.

Whether these 1,866 $^{2}/_{3}$ lbs. of yarn were being produced under the first set of conditions or under the second, i.e., with 2 or with 4 hours surplus-labour, they would have the same value in both cases. The value therefore of the additional 266 $^{2}/_{3}$ lbs. of cotton that are spun, is £ 13 $^{1}/_{3}$. This, added to the £ 80 for the 1,600 lbs., amounts to £ 93 $^{1}/_{3}$ and in both cases 4 working-hours more for 20 men amount to £ 8. Altogether £ 28 for the labour, that is £121$^{1}/_{3}$. The wages are, in both cases, the same. The pound of yarn costs in both cases $1^{3}/_{10}$ s. Since the value of the pound of cotton is 1s., what remained for the newly-added labour in 1 lb. of yarn would in both cases amount to $^{3}/_{10}$ s., equal to 3 $^{3}/_{5}$d (or $^{18}/_{5}$d.).

Nevertheless, under the conditions assumed, the relation between value and surplus-value in each pound of yarn would be very different. In the first case, since the necessary labour was equal to £ 20 and the surplus-labour to £ 4, or since the former amounted to 10 hours and the latter to 2 hours, the ratio of surplus-labour to necessary labour would be 2:10=$^{2}/_{10}$=$^{1}/_{5}$. (Similarly £ 4:£ 20=$^{4}/_{20}$=$^{1}/_{5}$.) The 3 $^{3}/_{5}$d. [newly-added labour] in a pound of yarn would in this case contain $^{1}/_{5}$ unpaid labour, that is $^{18}/_{25}$ d. or $^{72}/_{25}$ farthings equal to 2 $^{22}/_{25}$ farthings. In the second case, on the other hand, the necessary labour would be £ 20 (10 working-hours), the surplus-labour £8 (4 working-hours). The ratio of surplus-labour to necessary labour would be 8:20=$^{8}/_{20}$=$^{4}/_{10}$=$^{2}/_{5}$. Thus the 3 $^{3}/_{5}$ d, [of newly-added labour] in a pound of yarn would contain $^{2}/_{5}$ unpaid labour, i.e., 5 $^{19}/_{25}$ farthings or 1 d. 1 $^{19}/_{25}$ farthings. ||659| Although the yarn has the same value in both cases and although the same wages are paid in both cases, the surplus-value in a pound of yarn is in one case twice as large as in the other. The ratio of value of labour to surplus-value is of course the same in the individual commodity, that is, in a portion of the product, as in the whole product.

In the one case, the capital advanced is £ 93 $^{1}/_{3}$ for cotton, and how much for wages? The wages for 1,600 lbs. amount to £ 20 here, hence for the additional 266 $^{2}/_{3}$ lbs. a further £3 $^{1}/_{3}$. This makes £23 $^{1}/_{3}$. And the total capital outlay is £ 93 $^{1}/_{3}$+£ $^{231}/_{3}$=£ 116 $^{2}/_{3}$. The product comes to £ 121 $^{1}/_{3}$. (The additional outlay in [variable] capital, of £3 $^{1}/_{3}$, only yields 13 $^{1}/_{3}$s.[£$^{2}/_{3}$] surplus-value. £ 20 :£ 4=£ 3 $^{1}/_{3}$+£ $^{2}/_{3}$).

In the other case, however, the capital outlay would amount to only £93 $^{1}/_{9}$ + £20 = £ 113 $^{1}/_{3}$ and £ 4 would have to be added to the £ 4 surplus-value. The same number of pounds of yarn are produced in both cases and both have the same value, that is to say, they represent equal total quantities of labour, but these equal total

qualities of labour are set in motion by capitals of unequal size, although the wages are the same; but the working-days are of unequal length and, *therefore*, unequal quantities of unpaid labour are produced. Taking the individual pound of yarn, the wages paid for it, or the amounts of *paid* labour a pound contains, are different. The same wages are spread over a larger volume of commodities here, not because labour is more productive in the one case than in the other, but because the total amount of unpaid labour which is set into motion in one case is greater than in the other. With *the same* quantity of *paid* labour, therefore, more pounds of yarn are produced in the one case than in the other, although in both cases the same quantities of yarn are produced, representing the same quantity of total labour (paid and unpaid). If, on the other hand, the productivity of labour had increased in the second case, then the value of the pound of yarn would at all events have fallen, whatever the ratio of surplus-value to variable capital.

In such a case, therefore, it would be wrong to say that—because the *value* of the pound of yarn is fixed at is, 3 $^{3}/_{5}$d., the value of the labour which is added is also fixed and amounts to 3 $^{3}/_{5}$ d., and the wages, i.e., the *necessary labour-time*, remain, according to the assumption, unchanged—the surplus-value [must] be the same and the two capitals under otherwise equal conditions would have produced the yarn with equal profits. This would be correct if we were concerned with one pound of yarn, but we are in fact concerned here with a capital which has produced 1,866 $^{2}/_{3}$ lbs. yarn. And in order to know the amount of profit (actually of surplus-value) on one pound, we must know the length of the working-day, or the quantity of unpaid labour (when the productivity is given) that the capital sets in motion. But this information cannot be gathered by looking at the individual commodity.

Thus Ricardo deals only with what I have called the *relative surplus-value*. From the outset he assumes, as Adam Smith and his predecessors seem to have done as well, that the *length of the working-day is given*. (At most, Adam Smith mentions differences in the length of the working-day in *different* branches of labour, which are levelled out or compensated by the relatively greater intensity of labour, difficulty, unpleasantness, etc.) On the basis of this postulate Ricardo, on the whole, explains relative surplus-value correctly. Before we give the principal points of his theory, we shall cite a few more passages to illustrate Ricardo's point of view.

> "The labour of a million of men in manufactures, will always produce the *same value*, but will not always produce the same riches" (l.c., p. 320).

This means that the product of their daily labour will always be the product of a million working-days containing *the same* labour-time; this is wrong, or is only true where *the same* normal working-day—taking into account the various difficulties etc. in different branches of labour—has been generally established.

Even then, however, the statement is wrong in the general form in which it is expressed here. If the normal working-day is 12 hours, and the annual product of one man is, in terms of money, £ 50 and the value of money remains unchanged, then, in this case, the product of 1 million men would always amount to £ 50 million per year. If the necessary labour is 6 hours, then the capital laid out for these million men would be £ 25,000,000 per annum. The surplus-value would also be £ 25 million. The product would always be 50 million, whether the workers received 25 or 30 or 40 million. But in the first case the surplus-value would be 25 million, in the second it would be 20 million and in the third 10 million. If the capital advanced consisted only of *variable* capital, i.e., only of the capital which is laid

out in the *wages* of these 1 million men, then Ricardo would be right. He is, therefore, only right in the *one* case, where the total capital equals the variable capital; a presupposition which pervades all his, and Adam Smith's, ||660| observations regarding the capital of society as a whole, but in capitalist production this precondition does not exist in a single branch of industry, much less in the production of society as a whole.

That *part of the constant capital* which enters into the labour-process without entering into the process of the creation of value. does not enter into the product, into the *value of the* product, and, therefore, important as it is in the determination of the general rate of profit, it does not concern us here, where we are considering the *value* of the *annual product*. But matters are quite different with that part of constant capital which enters into the annual product. We have seen that a portion of this part of constant capital, or what appears as constant capital in one sphere of production, appears as a direct product of labour within another sphere of production, during *the same* production period of one year; a large part of the capital laid out annually, which *appears* to be constant capital from the standpoint of the individual capitalist or the particular sphere of production, therefore, resolves itself into *variable* capital from the standpoint of society or of the capitalist class. This part is thus included in the 50 million, in that part of the 50 million which forms variable capital or is laid out in wages.

But the position is different with that *part of constant capital* which is used up in order to replace the constant capital consumed in industry and agriculture—with the consumed part of the constant capital employed in those branches of production which produce constant capital, raw material in its primary form, fixed capital and auxiliary materials. The value of this part reappears, it is reproduced in the product. In what proportion it enters

into the value of the whole product depends entirely on its actual magnitude—provided the productivity of labour does not change; but however the productivity may change, this part of the constant capital will always have a *definite* magnitude. (On the average, apart from certain exceptions in agriculture, the amount of the product, i.e., the riches—which Ricardo distinguishes from the value—produced by one million men will, indeed, also depend on the magnitude of this constant capital which is antecedent to production.) This part of the value of the product would not exist without the new labour of the million men during the year. On the other hand, the labour of the million men would not yield the same amount of product without this constant capital which exists independently of their year's labour. It enters into the labour-process as a condition of production but not a single additional hour is worked in order to reproduce the value of this part. As value it is, therefore, not the result of the year's labour, although its value would not have been reproduced *without* this year's labour.

If the part of the constant capital which enters into the product were 25 million, then the value of the product of the one million men would be 75 million; *if* this part of the constant capital were 10 million, then the value of the product would only be 60 million, etc. And since the ratio of constant capital to variable capital increases in the course of capitalist development, the value of the annual product of a million men will tend to rise continuously, in proportion to the growth of the past labour which plays a part in their annual production. This alone shows that Ricardo was unable to understand either the essence of accumulation or the nature of profit.

With the growth in the proportion of constant to variable capital, grows also the productivity of labour, the productive forces brought into being, with which social labour operates. As a result of this increasing productivity of labour, however, a part of the existing

constant capital is continuously depreciated in value, for its value depends not on the labour-time that it cost originally, but on the labour-time with which it can be reproduced, and this is continuously diminishing as the productivity of labour grows. Although, therefore, the value of the constant capital does not increase in proportion to its amount, it increases nevertheless, because its amount increases even more rapidly than its value falls. But we shall return later to Ricardo's views on accumulation.

It is evident, however, that if the length of the working-day is given, the value of the annual product of the labour of one million men will differ greatly according to the different amount of constant capital that enters into the product; and that, despite the growing productivity of labour, the value of this product will be greater where the constant capital forms a large part of the total capital, than under social conditions where it forms a relatively small part of the total capital. With the advance in the productivity of social labour, accompanied as it is by the growth of constant capital, a relatively ever increasing part of the annual product of labour will, therefore, fall to the share of capital as such, and thus property in the form of capital (apart from revenue) will be constantly increasing and proportionately that part of value which the individual worker and even the working class creates, will be steadily decreasing, ||661| compared with the product of their past labour that confronts them as capital. The alienation and the antagonism between labour-power and the objective conditions of labour which have become independent in the form of capital, thereby grow continuously. (Not taking into account the variable capital, i.e., that part of the product of the annual labour which is required for the reproduction of the working class; even these means of subsistence, however, confront them as capital.)

Ricardo's view, that the working-day is *given, limited, a fixed magnitude*, is also expressed by him in other forms, for instance:

> "They" (the wages of labour and profit of stock) are "*together* always *of the same value*" (l.c., p. 499, [in] Chapter XXXII "Mr. Malthus's Opinions on Rent"),

in other words this only means that the (daily) labour-time whose product is *divided* between the wages of labour and the profits of stock, is always *the same*, is *constant*.

> "Wages and profits together will be the same value" (l.c., p. 491, note).

I hardly need to repeat here that in these passages one should always read "surplus-value" instead of "profit".

> "Wages and profits taken together will continue *always* of the same value" (l.c., pp. 490-91).

> "Wages are to be estimated by their *real value*, viz., by the *quantity of labour and capital employed in producing* them, and not by their *nominal value* either in coats, hats, money, or corn" (l.c., Chapter I, "*On Value*" p. 50).

The value of the means of subsistence which the worker obtains (buys with his wages), corn, clothes, etc., is determined by the total labour-time required for their production, the quantity of immediate labour as well as the quantity of materialised labour necessary for their production. But Ricardo confuses the issue because he does not state it plainly, he does not say: "their *real value*, viz., that quantity of the working-day required to reproduce the value of their [the workers] own necessaries, the equivalent of the necessaries paid to them, or exchanged for their labour". Real wages have to be determined by the average time which the worker must

work each day in order to produce or reproduce his own wages.

> "The labourer is only paid a really high price for his labour, when his wages will purchase the produce of a great deal of labour" (l.c., p. 322, (note]).

4. Relative Surplus-Value. [The Analysis of Relative Wages Is One of Ricardo's Scientific Achievements]

This is in fact the only form of surplus-value which Ricardo analyses under the name of *profit*. [According to him:]

The quantity of labour required for the production of a commodity, and contained in it, determines its value, which is thus a *given* factor, a *definite amount*. This amount is divided between wage-labourer and capitalist. (Ricardo, like Adam Smith, does not take constant capital into account here.) It is obvious that the share of one can only rise or fall in proportion to the fall or rise of the share of the other. Since the value of the commodities is due to the labour of the workers, labour is under all circumstances the precondition of value, but there can be no labour unless the worker lives and maintains himself, i.e., receives the necessary wages (the minimum wages—wages is synonymous with the value of his labour-power). Wages and surplus-value— these two categories into which the value of the commodity or the product itself is divided—are therefore not only in inverse

proportion to each other, but the primary, the determinant factor is the movement of wages. Their rise or fall causes the opposite movement on the part of profit (surplus-value). Wages do not rise or fall because profit (surplus-value) falls or rises, but on the contrary surplus-value (profit) falls or rises because wages rise or fall. The *surplus-product* (one should really say *surplus-value*) which remains after the working class has received its share of its own annual production forms the substance on which the capitalist class lives.

Since the value of the commodities is determined by the quantity of labour contained in them, and since wages and surplus-value (profit) are only *shares*, proportions in which two classes of producers divide the value of the commodity between themselves, it is clear that a rise or fall in wages, although it determines the rate of surplus-value (profit), does not affect the value of the commodity or the price (as the monetary expression of the value of a commodity). The proportion in which a whole is divided between two shareholders makes the whole neither larger nor smaller. It is, therefore, an erroneous preconception to assume that a *rise in wages raises the prices* of *commodities;* it only makes profit (surplus-value) fall. Even the exceptions cited by Ricardo, where a rise in wages is supposed to make the exchange-values of some commodities fall and those of others rise, are wrong so far as *value* is concerned and only correct for *cost-prices*.

||662| Since the rate of surplus-value (profit) is determined by the relative height of wages, how is the latter determined? Apart from competition, by the price of the necessary means of subsistence. This, in turn, depends on the productivity of labour, which increases with the fertility of the land (Ricardo assumes capitalist production here). Every “improvement” reduces the prices of commodities, of the means of subsistence. Wages or the value of labour, thus rise and

fall in inverse proportion to the development of the productive power of labour, in so far as the latter produces necessary means of subsistence which enter into the average consumption of the working class. The rate of surplus-value (profit) falls or rises, therefore, in direct proportion to the development of the productive power of labour, because this development reduces or raises wages.

The rate of profit (surplus-value) cannot fall unless wages rise, and cannot rise unless wages fall.

The value of wages has to be reckoned not according to the quantity of the means of subsistence received by the worker, but according to the quantity of labour which these means of subsistence cost (in fact the proportion of the working-day which he appropriates for himself), that is according to the *relative share* of the total product, or rather of the total value of this product, which the worker receives. It is possible that, reckoned in terms of use-values (quantity of commodities or money), his wages rise as productivity increases and yet the value of the wages may fall and vice versa. It is one of Ricardo's great merits that he examined relative or proportionate wages, and established them as a definite category. Up to this time, wages had always been regarded as something simple and consequently the worker was considered an animal. But here he is considered in his social relationships. The position of the classes to one another depends more on relative wages than on the absolute amount of wages.

Now these propositions have to be substantiated by quotations from Ricardo.

> "The *value* of the deer, the produce of the hunter's *day's labour*, would be exactly equal to the value of the fish, the produce of the fisherman s *day's labour*. The comparative value of the fish and the game, would be entirely regulated by the quantity of labour realised in each, *whatever might be the*

> *quantity of production*, or however *high or low general wages or profits might be*. If ... the fisherman ... employed ten men, whose annual labour cost £ 100 and who *in one day* obtained *by their* labour twenty salmon: If ... the hunter [...] also employed ten men, whose *annual labour* cost £ 100 and who in *one day* procured him ten deer; then the natural price of a deer would he two salmon, whether *the proportion of the whole produce bestowed on the men who obtained* [it,] were large or small. The *proportion* which might be paid for *wages*, is of the utmost importance in the question of *profits;* for it must at once be seen, that profits would be high or low, exactly in proportion as wages were low or high; but it could not in the least affect the relative value of fish and game, as wages would be high or low at the same time in both occupations" (l.c., Chapter I "*On Value*", pp. 20-21).

It can be seen that Ricardo derives the whole value of the commodity from the *labour* of the men employed. It is their own labour or the product of that labour or the value of this product, which is divided between them and capital.

> "No alteration in the wages of labour could produce any alteration in the relative value of these commodities; for suppose them to rise, no *greater quantity of labour* would be required in any of these occupations, but it would be *paid* for at a *higher price*... Wages might rise twenty per cent and profits consequently fall in a, greater or less proportion, without occasioning the least alteration in the relative value of these commodities" (l.c., p. 23).

> "There can be no rise in the *value of labour* without a fall of profits. If the corn is to be *divided* between the farmer and the labourer, *the larger the proportion* that is given to the latter, the less will remain for the former. So if cloth or cotton goods be *divided* between the workman and his employer, the *larger the proportion* given to

the former, the less remains for the latter" (l.c., p. 31).

||663| "Adam Smith, and all the writers who have followed him, have, without one exception that I know of, maintained that *a rise in the price of labour* would be uniformly followed by *a rise in the price of all commodities*. I hope I have succeeded in showing, that there are no grounds for such an opinion" (l.c., p. 45).

"A rise of[f] wages, from the circumstance of the labourer being more liberally rewarded, or from a difficulty of procuring the necessaries on which wages are expended, does not, except in some instances, produce the effect of raising price, but has a great effect in lowering profits."

The position is different, however, when the rise of wages is due to "... an alteration in the value of money... In the one case" <(namely, in the last-mentioned case> "no *greater proportion of the annual labour of the country* is devoted to the *support of [the] labourers;* in the other case, a larger portion is so devoted" (l.c., p. 48). |663|| .

||663| "With a rise in the price of food and necessaries, the natural price of labour will rise; with the[g] fall in their price, the natural price of labour will fall" (l.c., p. 86).

"The *surplus produce* remaining, after satisfying the wants of the existing population, must necessarily be in proportion to the *facility of production*, viz., to the *smaller number of persons* employed in production" (l.c., p. 93).

"Neither the farmer who cultivates that quantity of land, which regulates price, nor the manufacturer, who manufactures goods, sacrifice any portion of the produce for rent. The *whole value of their commodities is divided* into *two portions* only: one constitutes the profits of stock, the other the wages of labour" (l.c., p. 107).

"Suppose the price of silks, velvets, furniture, and any other commodities, not required by the labourer, to rise in consequence of more labour being expended on them, would not that affect profits? Certainly not : for nothing can affect profits but a rise in wages; silks and velvets are not consumed by the labourer, and therefore cannot raise wages" (l.c., p. 118).

"If the labour of ten men will, on land of a certain quality, obtain 180 quarters of wheat, and its value be £4 per quarter, or £ 720" (l.c., p. 110), ...in all cases, the same sum of £ 720 must be divided between wages and profits... Whether wages or profits rise or fall, it is this sum of £ 720 from which they must both be provided. On the one hand, profits can never rise so high as to absorb so much of this £ 720 that enough will not he left to furnish the labourers with absolute necessaries; on the other hand, wages can never rise so high as to leave no portion of this sum for profits" (l.c., p. 113).

"Profits *depend on high or law wages*, wages on the price of necessaries, and the price of necessaries chiefly on the price of food, because all other requisites may be increased almost without limit" (l.c., p. 119).

"Although a greater value is produced" (with a deterioration of the land) "a *greater proportion of what remains of that value*, after paying rent, is consumed by the producers," <he identifies labourers with producers here> "and it is this, *and this alone*, which regulates profits" (l.c., p. 127).

"It is the essential quality of an *improvement to diminish the quantity of labour* before required to produce a commodity; and this diminution cannot take place without a *fall of its price or relative value*" (l.c., p. 70).

"Diminish the cost of production of hats, and their price will ultimately fall to their new natural price, although the demand should be

> doubled, trebled, or quadrupled. Diminish the cost of subsistence of men, by diminishing the natural price of the food and clothing, by which life is sustained, and wages will ultimately fall, notwithstanding that the demand for labourers ||364| may very greatly increase" (l.c., p. 460).
>
> "In proportion as less is appropriated for wages, more will be appropriated for profits, and vice versa" (l.c., p. 500).
>
> "It has been one of the objects of this work to shew, that with every fall in the real value of necessaries, the wages of labour would fall, and that the profits of stock would rise—in other words, that of any given *annual value a less portion would be paid to the labouring class*, and a larger portion to those *whose funds employed this class*."

<It is only in this statement, which has now become a commonplace, that Ricardo expresses the nature of capital, though he may not be aware of it. It is not accumulated labour which is employed by the labouring class, by the labourers themselves, but the "funds", "accumulated labour", which "employ this class", employ present, immediate labour.>

> "Suppose the *value* of the commodities produced in a particular manufacture to be £ 1,000, and to be *divided* between *the master* and *his* labourers" <here again be expresses the nature of capital; the capitalist is the *master*, the workers are *his* labourers> "in the proportion of £ 800 to labourers, and £ 200 to the master; if the value of these commodities should fall to £ 900, and £ 100 be saved from the wages of labour, in consequence of the fall of necessaries, the net income of the masters would be in no degree impaired" (l.c., pp. 511-12).
>
> "If the shoes and clothing of the labourer, could, by improvements in machinery, be produced by one-fourth of the labour now necessary to their production, they would

probably fall 75 per cent; but so far is it from being true, that the labourer would thereby be enabled permanently to consume four coats, or four pair of shoes, instead of one, that it is probable his *wages would in no long time be adjusted* by the effects of competition, and the stimulus to population, to the *new value of the necessaries* on which they were expended. If these improvements extended to all the objects of the labourer's consumption, we should find him probably at the end of a very few years, in possession of only a small, if any, addition to his enjoyments, although the exchangeable value of those commodities, compared with any other commodity [...] had sustained a very considerable reduction; and though they were the produce of a very considerably diminished quantity of labour" (l.c., p. 8).

"When wages rise, it is always at the expense of profits, and when they fall, profits always rise" (l.c., p. 491, note).

"It has been my endeavour to shew throughout this work, that the rate of profits can never be increased but by a fall in wages, and that there can be no permanent fall of wages but in consequence of a fall of the necessaries on which wages are expended. If, therefore, by the *extension of foreign* trade, or by *improvements in machinery*, the food and necessaries of the labourer *can* be brought to market, at a reduced price, profits will rise. If, instead of growing our own corn, or manufacturing the clothing and other necessaries of the labourer, we discover a new market from which we can supply ourselves with these commodities at a cheaper price, wages will fall and profits rise; but *if* the commodities obtained at a cheaper rate[h], by the extension of foreign commerce, or by the improvement of machinery, be exclusively the commodities consumed by the rich, no alteration will take place in the rate of profits. The rate of wages would not he affected, although wine, velvets, silks, and other expensive commodities should fall 50 per

cent, and consequently profits would continue unaltered.

"Foreign trade, then, though highly beneficial to a country, as it increases the amount and variety of the objects on which revenue may be expended, and affords, by the abundance and cheapness of commodities, incentives to saving" (and why not incentives to spending?), "and to the *accumulation of capital*, has no tendency to raise the profits of stock, *unless the commodities imported be of that description on which the wages of labour are expended*.

"The remarks which have been made respecting foreign trade, apply equally to home trade. The rate of profits is *never increased*"

<he has just said the very opposite; evidently he means never, unless the value of labour is diminished by the improvements mentioned)

"by *a better distribution of labour*, by the *invention of machinery*, by the *establishment of roads and canals*, or by *any means of abridging labour* [...] *in the manufacture or in the conveyance* of *goods*. These are causes which operate on price, and never fail to be highly beneficial to consumers; since they enable them, with the same labour [...] to obtain in exchange a greater quantity of the commodity to *which the improvement* is applied; but they have no effect whatever on profit. On the other hand, ||665| every diminution in the wages of labour raises profits, but produces no effect on the price of commodities. One is advantageous to all classes, for all classes are consumers"

<but how is it advantageous to the labouring class? For Ricardo presupposes that if these commodities enter into the consumption of the wage-earner they reduce wages, and if these commodities become cheaper without reducing wages they are not commodities on which wages are expended>;

> "the other is beneficial only to producers; they gain more, but every thing remains at its former price."

<Again, how is this possible, since Ricardo presupposes that the reduction of wages which raises profits takes place precisely because the price of the necessaries has fallen and therefore by no means does "every thing remain at its former price".>

> "In the first case they get the same as before; but *every thing*" <wrong again; should read every thing, with the exception of the necessaries> "on which their gains are expended, is diminished in exchangeable value" (l.c., pp. 137-38).

It is evident that this passage is rather loosely worded. But apart from this formal aspect, the statements are only true if one reads "rate of surplus-value" for rate of profit, and this applies to the whole of this investigation into relative surplus-value. Even in the case of luxury articles, such improvements can raise the general rate of profit, since the rate of profit in these spheres of production, as in all others, bears a share in the levelling out of all particular rates of profit into the average rate of profit. If in such cases, as a result of the above-mentioned influences, the value of the constant capital falls proportionately to the variable, or the period of turnover is reduced (i.e., a change takes place in the circulation process) , then the rate of profit rises. Furthermore, the influence of foreign trade is expounded in an entirely one-sided way. The development of the product into a commodity is fundamental to capitalist production and this is intrinsically bound up with the expansion of the market, the creation of the world market, and therefore foreign trade.

Apart from this, Ricardo is right when he states that all improvements, be they brought about through the

division of labour, improvements in machinery, the perfection of means of communication, foreign trade—in short all measures that reduce the necessary labour-time involved in the manufacture or transport of commodities increase the surplus-value (hence profit) and thus enrich the capitalist class because, and in so far as, these "improvements" reduce the value of labour.

Finally, in this section, we must quote a few passages in which Ricardo analyses the nature of *relative* wages.

> "If I have to hire a labourer for a week, and instead of ten shillings I pay him eight, no variation having taken place in the value of money, the labourer can probably obtain more food and necessaries, with his eight shillings, than he before obtained for ten: but this is owing, not to a rise in the *real value of his wages*, as stated by Adam Smith, and more recently by Mr. Malthus, but to a fall in the value of the things on which his wages are expended, things perfectly distinct; and yet *for calling this a fall in the real value of wages*, I am told that I adopt new and unusual language, not reconcilable with the true principles of the science" (l.c., pp. 11-12).

> "It is not by the *absolute quantity of produce* obtained by either class, that we can correctly judge of the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture, the whole produce may be doubled; but if wages, rent, and profit be also doubled, these three will bear *the same proportions to one another as before*, and neither could be said to have *relatively varied*. But if wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one-half ...it would, I apprehend, be correct for me to say that ...wages had fallen while profits had risen; for if we had an invariable standard by which to measure the *value* of this produce, we should find that a less value had fallen to the class of labourers ..., and a greater to the class of

> capitalists, than had been given before" (l.c., p. 49).
>
> "It will not the less be a real fall, because they" (the wages) "might furnish him with a greater quantity of cheap commodities than his former wages" (l.c., p. 51).

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De Quincey points out the contrast between some of the propositions developed by Ricardo and those of the other economists.

> "When it was asked" [by the economists before Ricardo] "what determined the value of all commodities: it was answered that this value was chiefly determined by wages. When again it was asked—what determined wages ?—it was recollected that wages must [...] be adjusted to the value of the commodities upon which they were spent; and the answer was in effect that wages were determined by the value of commodities." ([Thomas de Quincey], *Dialogues of Three Templars on Political Economy, Chiefly in Relation to the Principles of Mr. Ricardo* in *The London Magazine*, Vol. IX, 1824, p. 560.)

||666| The same *Dialogues* contains the following passage about the law governing the measurement of value by the *quantity of labour* and *by the value of labour:*

> "So far are the two formulae from presenting merely two different expressions of the same law, that the very best way of expressing negatively Mr. Ricardo's law (viz. A is to B in value as the *quantities* of the producing labour) would be to say—A is *not* to B in value as the *values* of the producing labour" [l.c., p. 348].

(If the organic composition of the capital in A and B were the same, then it could in fact be said that

their *relation* to one another is proportionate to the *values* of the producing labour. For the accumulated labour in each would be in the same proportion as the immediate labour in each. The quantities of paid labour in each, however, would be proportionate to the total quantities of immediate labour in each. Assume the composition to be 80c+20v and the rate of surplus-value equal to 50 per cent. If one capital were equal to £ 500 and the other to £ 300, then the product in the first case would be £ 550 and in the second £ 330. The products would then be as 5×20=100 (wages) to 3×20=60; that is as 100:60, as 10:6, as 5:3. [And] 550:330=55:33 or as $^{55}/_{11}$:$^{33}/_{11}$ (5×11=55 and 3×11=33); i.e., as 5:3. But even then one would only know their relation to one another and not their true values, since many different values correspond to the ratio 5:3.)

> "If the price is ten shillings, then [...] wages and profits, taken as a whole, cannot exceed ten shillings. [...] But do not the wages and profits as a whole, themselves, on the contrary, predetermine the price? No; that is the old superannuated doctrine." (Thomas de Quincey, *The Logic of Political Economy*, Edinburgh and London, 1844, p. 204.)
>
> "The new economy has shown that all price is governed by proportional quantity of the producing labour, and by that only. Being itself once settled, then, *ipso facto*, price settles the *fund* out of which both *wages and profits must draw their separate dividends*" (l.c., p. 204). "Any change that can disturb the existing relations between wages and profits, *must originate in wages*" (l.c., p. 205).
>
> Ricardo's doctrine is new in so far as he poses the question whether in fact it sets aside the law of actual value (l.c., p. 158).[i]

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[a] In the manuscript: "f.i."—Ed.

[b] In the manuscript: “the commodity”.—Ed.

* ||663| (The following passage shows that Ricardo consciously identifies *value* with *cost of production:* “Mr. Malthus appears to think that it is a part of my doctrine, that the *cost* and *value* of a thing should be the same;—it is, if he means by cost, ‘*cost of production’ including profits*” (l.c., p. 46, note).) |663||

[c] In the manuscript “but” instead of “It follows, that”.—Ed.

[d] The brackets are omitted in the manuscript—Ed.

[e] In the manuscript: “upon”.—Ed.

[f] In the manuscript: “*in*”.—*Ed.*

[g] In the manuscript: “*a*”.—*Ed.*

[h] In the manuscript: “*price*”.—*Ed.*

[i] Marx summarises very briefly here—in his own words—the idea developed by de Quincey.—Ed.

Theories of Surplus Value, Marx 1861-3

[Chapter XVIII] Ricardo’s Miscellanea. Joh n Barton

[A.] Gross and Net Income

Net income, as opposed to gross income (which is equal to the total product or the value of the total product), is the form in which the Physiocrats originally conceived surplus-value. They consider rent to be its sole form, since they think of industrial profit as merely a kind of wage; later economists who blur the concept of profit by calling it wages for the superintendence of labour, ought to agree with them.

Net revenue is therefore in fact the excess of the product (or the excess of its value) over that part of it which replaces the capital outlay, comprising both constant and variable capital. It thus consists simply of profit and rent, the latter, in turn, is only a separate portion of the profit, a portion accruing to a class other than the capitalist class.

The direct purpose of capitalist production is not the production of commodities, but of surplus-value or profit (in its developed form), the aim is not the product, but the surplus-product. Labour itself, from this standpoint, is only productive in so far as it creates profit or surplus-product for capital. If the worker does not create profit, his labour is unproductive. The mass of productive labour employed is only of interest to capital in so far as through it—or in proportion to it—the mass of surplus-labour grows. Only to this extent is what we called necessary labour-time, necessary. In so far as it does not have this result, it is superfluous and to be supressed.

It is the constant aim of capitalist production to produce a maximum of surplus-value or surplus-product with the minimum capital outlay; and to the extent that this result is not achieved by overworking the workers, it is a tendency of capital to seek to produce a given product with the least possible expenditure—economy of power and expense. It is therefore the economic tendency of capital which teaches humanity to husband its strength and to achieve its productive aim with the least possible expenditure of means.

In this conception, the workers themselves appear as that which they are in capitalist production—mere means of production, not an end in themselves and not the aim of production.

Net income is not determined by the value of the total product, but by the excess of the value of the total product over the value of the capital outlay, or by the size of the surplus-product in relation to the total product. Provided this surplus grows the aim of capitalist production has been achieved even if the value decreases ||733| or, if along with the value, the total quantity of the product also decreases.

Ricardo expressed these tendencies consistently and ruthlessly. Hence much howling against him on the part of the philanthropic philistines.

In considering net income, Ricardo again commits the error of resolving the total product into revenue, wages, profits and rent, and disregarding the constant capital which has to be replaced. But we will leave this out of account here.

Chapter XXXII "Mr. Malthus's Opinions on Rent".

> "It is of importance to distinguish clearly between gross revenue and net revenue, for it is from the net revenue of a society that all taxes must be paid. Suppose that all the commodities in the country, all the corn, raw produce, manufactured goods, etc, which could be brought to market in the course of the year, were of the value of 20 millions, and that in order to obtain this value, the labour of a certain number of men was necessary, and that the absolute necessaries of these labourers required an expenditure of 10 millions. I should say that the gross revenue of such society was 20 millions, and its net revenue 10 millions. It does not follow from this supposition, that the labourers should receive only 10 millions for their labour; they might

> receive 12, 14, or 15 millions, and in that case they would have 2, 4, or 5 millions of the net income. The rest would be divided between landlords and capitalists; but the whole net income would not exceed 10 millions. Suppose such a society paid 2 millions in taxes, its net income would be reduced to 8 millions" (l.c., pp. 512–13.)

[And in Chapter XXVI Ricardo says :]

> "What would be the advantage resulting to a country from [...] a great quantity of productive labour, if, whether it employed that quantity or a smaller, its net rent and profits together would be the same. The *whole produce of the land and labour of every country is divided into three portions: of these, one portion is devoted to wages, another to profits, and the other to rent*."

⟨This is wrong because the portion devoted to replacing the capital (wages excluded) employed in production has been forgotten.⟩

> "It is from the two last portions only, that any deductions can be made for taxes, or for saving; *the former, if moderate, constituting always the necessary expenses of production*" [l.c., p. 416].

⟨Ricardo himself makes the following comment on this passage in a note on page 416:

> "Perhaps this is expressed too strongly, as more is generally allotted to the labourer under the name of wages, than the absolutely necessary expenses of production. In that case a part of the net produce of the country is received by the labourer, and may be saved or expended by him; or it may enable him to contribute to the defence of the country" [l.c., p. 416].⟩

> "To an individual with a capital of £ 20,000, whose profits were £ 2,000 per annum, it would be a matter quite indifferent whether his

> capital would employ a hundred or a thousand men, whether the commodity produced, sold for £10,000, or for £ 20,000, provided, in all cases, his profits were not diminished below £ 2,000. *Is not the real interest of the nation similar? Provided its net real income, its rent and profits be the same, it is of no importance whether the nation consists of ten or of twelve millions of inhabitants.* Its power of supporting fleets and armies, and all species of unproductive labour, must be in proportion to its net, and not in proportion to its gross income. If five millions of men could produce as much food and clothing as was necessary for ten millions, food and c1othing for five millions would be the net revenue. Would it be of any advantage to the country, that to produce this same net revenue, seven millions of men should be required, that is to say, that seven millions should be employed to produce food and clothing sufficient for twelve millions? The food and clothing of five millions would be still the net revenue. The employing a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes" (l.c., pp. 416–17).

To gain a better understanding of Ricardo's views, the following passages must also be considered.

"There is this advantage always resulting from a relatively low price of corn,—that the division of the actual production is more likely to increase the *fund for the maintenance of labour*, inasmuch as more will be allotted, under the name of profit, to the productive class, a[a] less under the name rent, to the *unproductive class*" (l.c., p. 317).

Productive class here *refers* only to the industrial capitalists.

> "Rent is a creation of value ... but not a creation of wealth. If the price of corn, from the difficulty of producing *any* portion of it, should rise from £4 to £5 per quarter, a million of quarters will be of the value of £ 5,000,000

> instead of £ 4,000,000, ... the society altogether will be possessed of greater value, and in that sense rent is a creation of value. But this value is so far nominal, that it adds nothing to the wealth, that is to say, the necessaries, conveniences, and enjoyments of the society. We should have precisely the same quantity, and no more of commodities, and the same million quarters of corn as before; but the effect of its being rated at £ 5 per quarter, instead of £ 4, *would be to transfer a portion of the value of the corn and commodities from their* former possessors to the landlords. Rent then is a creation of value, but not a creation of wealth; *it adds nothing to the resources of a country*" (l.c., pp. 485–86).

||734| Supposing that through the import of foreign corn the price of corn falls so that rent is decreased by 1 million. Ricardo says that as a result the money incomes of the capitalists will increase, and then continues:

"But it may be said, that the capitalist's income will not he increased; that the million deducted from the landlord's rent, will he paid in additional wages to labourers! Be it so; ... the situation of the society will be improved, and they can [b] bear the same money burthens with greater facility than before; it will only prove what is still more desirable, that the situation of another class, *and by far the most important class in society*, is the one which is chiefly benefited by the new distribution. All that they receive more than 9 millions, *forms part of the net income of the country*, and it cannot be expended without adding to its revenue, its happiness, or its power. Distribute then the net income as you please. Give a little more to one class, and a little less to another, yet you do not thereby diminish it; a greater amount of commodities will be still produced with the same labour, although the amount of the gross money value of such commodities will be diminished; but the net money income of the country, that fund from which taxes are paid and enjoyments procured, would be much more

adequate, than before, to maintain the actual population, to afford it enjoyments and luxuries, and to support any given amount of taxation" (l.c., pp. 515–16).

[B.] Machinery [Ricardo and Barton on the Influence of Machines on the Conditions of the Working Class]

[1. Ricardo's Views]

[a) Ricardo's Original Surmise Regarding the Displacement of Sections of the Workers by Machines]

Chapter I (Section V) "On Value".

> "Suppose ... a machine which could in any particular trade be employed to do the work of one hundred men for a year, and that it would last only for one year. Suppose too, the machine to cost £ 5,000, and the wages annually paid to one hundred men to be £ 5,000, it is evident that it would be a matter of indifference to the manufacturer whether he bought the machine or employed the men. But suppose labour to rise, and consequently the wages of one hundred men for a year to amount to £ 5,500, it is obvious that the manufacturer would now no longer hesitate, it would be for his interest to buy the machine and get his work done for £ 5,000. But will not the machine rise in price, will not that also be worth £ 5,500 in consequence of the rise of labour? It would rise in price if *there were no stock employed on its construction, and no profits to be paid to the maker of it*. If for example, the machine were the produce of the labour of one hundred men, working one year upon it with wages of £ 50 each, and its price were consequently £5,000; should those wages rise to £ 55, its price would be £ 5,500, but this cannot be the case; less

than one hundred men are employed or it could not be sold for £5,000, for out of the £ 5,000 must be paid the profits of stock which employed the men. Suppose then that only eighty-five men were employed at an expense of £ 50 each, or £ 4,250 per annum, and that the £ 750 which the sale of the machine would produce over and above the wages advanced to the men, constituted the profits of the engineer's stock. When wages rose 10 per cent he would be obliged to employ an *additional capital* of £ 425 and would therefore employ £ 4,675 instead of £ 4,250, on which capital be would only get a profit of £ 325 if he continued to sell his machine for £ 5,000; but this is precisely the case of all manufacturers and capitalists; the rise of wages affects them all. If therefore the maker of the machine should raise the price of it in consequence of a rise of wages, an unusual quantity of capital would be employed in the construction of such machines, till their price afforded only the common rate of profits. We see then that machines would not rise in price, in consequence of a rise of wages.

"The manufacturer, however, who in a general rise of wages, can have recourse to a machine which shall not increase the charge of production on his commodity, would enjoy peculiar advantages if he could continue to charge the same price for his goods; but he, as we have already seen, would be obliged to lower the price of his commodities, or capital would flow to his trade till his profits had sunk to the general level. Thus *then is the public benefited by machinery: these mute agents are always the produce of much less labour than that which they displace, even when they are of the same money value*" (l.c., pp. 38–40).

This point is quite right. At the same time it provides the answer to those who believe that the workers displaced by machines find employment in machine manufacture itself. This view, incidentally, belongs to an epoch in which the engineering workshop was still based

entirely on the division of labour, and machines were not as yet employed on the production of machines.

Suppose the annual wage of one man to be £50, then that of 100 is £5,000. If these 100 men are replaced by a machine which costs, similarly, £5,000, then this machine must be the product of the labour of less than 100 men. For besides paid labour it contains unpaid labour which forms the profit of the machine manufacturer. If it were the product of 100 men, then it would contain only paid labour. If the rate of profit were 10 per cent then approximately £4,545 of the £5,000 would represent the capital advanced and approximately £ 455 the profit. At [a wage of] £ 50, £ 4,545 would only represent 90 9/10 men.

||735| But the capital of £4,545 by no means represents only variable capital (capital laid out directly in wages). It represents also raw materials and the wear and tear of the fixed capital employed by the machine manufacturer. The machine costing £5,000, which replaces 100 men whose wages come to £5,000, thus represents the product of far fewer than 90 men. Moreover, the machine can only be employed profitably, if it ⟨at least that portion of it which enters annually with interest into the product, i.e., into its value%rang; is the (annual) product of far fewer men than it replaces.

Every rise in wages increases the variable capital that has to be laid out, although the *value of the product*—since this is equal to the variable capital plus the surplus-labour—remains the same, for the number of workers which the variable capital sets in motion remains *the same*.

[b) Ricardo on the Influence of Improvements in Production on the Value of Commodities. False

Theory of the Availability of the Wages Fund for the Workers Who Have Been Dismissed]

Chapter XX "Value and Riches, their Distinctive[c] Properties.

Natural agents add nothing to the value of *commodities*, on the contrary, [they reduce it]. But by doing so they add to the *surplus-value*, which alone interests the capitalists.

> "In contradiction to the opinion of Adam Smith, M. Say, in the fourth chapter, speaks of the value which is given to commodities by *natural agents*, such as the sun, the air, the pressure of the atmosphere, etc., which are sometimes substituted for the labour of man, and sometimes concur with him in producing. But these natural agents, though they add greatly to *value in use*, never add exchangeable value, of which M. Say is speaking, to a *commodity:* as soon as by the *aid of machinery, or by the knowledge of natural philosophy*, you oblige natural agents to do the work which was before done by man, the exchangeable value of such work falls accordingly" (l.c., pp. 335–36).

The machine costs [labour]. Natural agents as such cost nothing. They cannot, therefore, add any value to the product; rather they diminish its value in so far as they replace capital or labour, immediate or accumulated labour. In as much as natural philosophy teaches how to replace human labour by natural agents, without the aid of machinery or only with the same machinery as before (perhaps even more cheaply, as with the steam boiler, many chemical processes etc.), it costs the capitalist, and society as well, nothing and cheapens commodities absolutely.

Ricardo continues the above-quoted passage thus:

> "If ten men turned a corn mill, and it be discovered that by the assistance of wind, or of water, the labour of these ten men may be spared, the flour which is the produce partly of the work performed by the mill, would immediately fall in value, in proportion to the quantity of labour saved; and *the society would be richer by the commodities which the labour of the ten men could produce, the funds destined for their maintenance being in no degree impaired*" (l.c., p. 336).

Society would in the first place be richer by the diminished price of flour. It would either consume more flour or spend the money formerly *destined for flour* upon some other commodity, either existing, or called into life, because a new fund for consumption had become available.

Of this part of the revenue, formerly spent on flour and now, consequent upon the diminished price of flour, set free for some other application, it may be said that it was "*destined*"—by virtue of the whole economy of the society—for a certain thing, and that it is now freed from that "destiny". It is the same as if new capital had been accumulated. And in this way, the application of machinery and natural agents frees capital and enables previously "latent needs" to be satisfied.

On the other hand, it is wrong to speak of "the funds *destined* for the maintenance" of the ten men thrown out of employment by the new discovery. For the first fund which is saved or created through the discovery is that part of the revenue which society previously paid for flour and which it now saves as a result of the diminished price of flour. The second fund which is saved, however, is that which the miller previously paid for the ten men now displaced. This "fund" indeed, as Ricardo notes, is in no degree impaired by the discovery and the displacement of the ten men. But the fund has no natural connection with the ten men. They may become

paupers, starve etc. One thing only is certain, that ten men of the new generation who should take the place of these ten men in order to turn the mill, must now be absorbed in other employment; and so the relative population has increased (independently of the average increase of population) in that the mill is now driven [by a natural agent] and the ten men who would otherwise have had to turn it are employed in producing some other commodity. The invention of machinery and the employment of natural agents thus set free capital and men (workers) and create together with freed capital freed hands (free hands, as Steuart calls them), whether ||736| [for] newly created spheres of production or [for] the old ones which are expanded and operated on a larger scale.

The miller with his freed capital will build new mills or will lend out his capital if he cannot use it himself as a capitalist.

On no account, however, is there a fund "*destined*" for the ten men displaced. We shall return to this absurd assumption: namely that, if the introduction of machines (or natural agents) does not (as is partly the case in agriculture, when horses take the place of men or stock-raising takes the place of corn growing) reduce the quantity of means of subsistence which can be laid out in wages, the fund which has thus been set free must necessarily be laid out as variable capital (as if there was no possibility of exporting means of subsistence, or spending them on unproductive workers, or [as if] wages in certain spheres could not rise etc.) and must even be paid out to the displaced labourers. Machinery always creates a relative surplus population, a reserve army of workers, which greatly increases the power of capital.

In the note on page 335, Ricardo also makes the following observation directed against Say:

> "Though Adam Smith, who defined riches to consist in the abundance of necessaries, convenience and enjoyments of human life, would have allowed that *machines and natural agents* might very greatly add to the riches of a country, he would not have allowed that they *add any thing to the value of those riches*" [l.c., p. 335, note].

Natural agents, indeed, add nothing to *value*, so long as there are no circumstances in which they give occasion for the creation of *rent*. But machines invariably add *their own value* to the already existing value and firstly, in so far as their existence facilitates the further transformation of circulating into fixed capital, and makes it possible to carry on this transformation on an ever growing scale, they increase not only wealth but also the *value* which is added by past labour to the product of the annual labour; secondly, since machines make possible the absolute growth of population and with it the growth of the mass of the annual labour, they increase the value of the annual product in this second way. |736||

[c) Ricardo's Scientific Honesty, Which Led Him to Revise His Views on the Question of Machinery. Certain False Assumptions Are Retained in Ricardo's New Formulation of the Question]

||736| *Chapter XXXI "On Machinery"*.

This section, which Ricardo added to his third edition, bears witness to his *honesty* which so essentially distinguishes him from the vulgar economists.

> "It is more incumbent on me to declare my opinions on this question" ⟨viz. "the influence of machinery on the interests of the different classes of society"%rang;, "because they have, on further reflection, undergone a considerable change; and although I am not aware that I have ever published any thing respecting machinery which it is necessary for me to

retract, yet I have in other ways" ⟨as a Member of Parliament%rang; "given my support to doctrines which I now think erroneous; it, therefore, becomes a duty in me to submit my present views to examination, with my reasons for entertaining them" (l.c., p. 466).

"Ever since I first turned my attention to questions of political economy, I have been of opinion, that such an application of machinery to any branch of production, as should have the effect of saving labour, was a general good, accompanied only with that portion of inconvenience which in most cases attends the removal of capital and labour from one employment to another."

⟨This inconvenience is great enough for the worker, if, as in modern production, it is perpetual.%rang;

"It appeared to me, that provided the landlords had the same money rents, they would he benefited by the reduction in the prices of some of the commodities on which those rents were expended, and which reduction of price could not fail to be the consequence of the employment of machinery. The capitalist, I thought, was eventually benefited precisely in the same manner. He, indeed, who made the discovery of the machine, or who first usefully applied it, would enjoy an additional advantage, by making great profits for a time; but, in proportion as the machine came into general use, the price of the commodity produced, would, from the effects of competition, sink to its cost of production, when the capitalist would get the same money profits as before, and he would only participate in the general advantage, ||737| as a consumer, by being enabled, with the same money revenue, to command an additional quantity of comforts and enjoyments. *The class of labourers also*, I thought, *was equally benefited by the use of machinery*, as they would have the means of buying more commodities with the same money wages, and I thought that no *reduction of wages would take place, because the*

> *capitalist would have the power of demanding and employing the same quantity of labour as before*, although he might be under the necessity of employing it in the production of a new, or at any rate of a different commodity. If, by improved machinery, with the employment of the same quantity of labour, the quantity of stockings could be quadrupled, and the demand for stockings were only doubled, some labourers would necessarily be discharged from the stocking trade; but *as the capital* which *employed* them *was still in being, and as it was the interest of those* who had *it to employ it productively*, it appeared to me that it would be employed on the production of some other commodity, useful to the society, for which there could not fail to be a demand... As, then, it appeared to me that *there would be the same demand for labour as before*, and that wages would be no lower, I thought that the labouring class would, equally with the other classes, participate in the advantage, from the general cheapness of commodities arising from the use of machinery.
>
> "These were my opinions, and they continue unaltered, as far as regards the landlord and the capitalist; but I am convinced, that the *substitution of machinery for human labour, is often very injurious to ... the class of labourers*" (l.c., pp. 466–68).

In the first place, Ricardo starts from the false assumption that machinery is always introduced into spheres of production in which the capitalist mode of production already exists. But the mechanised loom originally replaced the hand-loom weaver, the spinning jenny the hand spinner, the mowing, threshing and sowing machines often the small peasant who himself cultivated his plot of land, etc. In this case, not only is the labourer displaced, but his instrument of production too ceases to be capital (in the Ricardian sense). This entire or complete devaluation of the old capital also takes place when machinery revolutionises manufacture previously

based on the simple division of labour. It is ridiculous to say in this case that the "old capital" continues to make the same demand for labour as before.

The "capital" which was employed by the hand-loom weaver, hand spinner etc. has ceased to exist.

But suppose, for the sake of simplicity, that the machinery is introduced ⟨there is, of course, no question here of the employment of machinery in *new* branches of industry%rang; only into spheres where capitalist production (manufacture) is already [dominant] or it may be introduced into the workshop already based on machinery, thus increasing the mechanisation of the labour processes or bringing into use improved machinery, which makes it possible either to dismiss a section of the workers previously employed or to produce a greater product while employing *the same* number of workers as before. The latter is of course the most favourable case.

In order to reduce confusion, we must distinguish here between 1. the funds of the capitalist who employs machinery and dismisses workers; 2. the funds of society, that is, of the consumers of the commodities produced by this capitalist.

ad 1. So far as the capitalist who introduces the machinery is concerned, it is wrong and absurd to say that he can lay out the same amount of capital in wages as before. (Even if he borrows, it is still equally wrong, not for him, but for society.) One part of his capital he will convert into machinery and other forms of fixed capital, another part into auxiliary materials which he did not need before, and a larger part into raw materials, if we assume that he produces more commodities with fewer workers, thus requiring more raw material. The proportion of variable capital—that is to say, of capital laid out in wages—to constant capital has decreased in his

branch of business. And this reduction in the *proportion will be permanent* (indeed, the decrease in variable capital relatively to constant will even continue at a *faster* rate as a result of the productive power of labour developing along with accumulation), even if his business on the new scale of production expands to such an extent that he can re-employ the total number of dismissed workers, and employ even more workers than before. ⟨The demand for labour in his business will grow with the accumulation of his capital, but to a much smaller degree than his capital accumulates, and his capital will in absolute terms never again require the same amount of labour as before. The immediate result, however, will be that a section of the workers is thrown on to the street.%rang;

But it may be said that indirectly the demand for workers will remain the same, for more workers will be required for the construction of machines. But Ricardo himself has already shown that machinery never costs as much labour as the labour which it displaces. It is possible for the hours of labour in the machine workshops to be lengthened for some time ||738| and that, in the first instance, not a man more may be employed in them. Raw material—cotton for example—can come from America and China and it makes no difference whatsoever to the Englishmen who have been thrown out of work, whether the demand for Negroes or coolies grows. But even assuming that the raw materials are supplied within the country, more women and children will be employed in agriculture, more horses etc., and perhaps more of one product and less of another will be produced. But there will be no demand for the dismissed workers, for in agriculture, too, the same process which creates a constant relative surplus population is taking place.

Prima facie it is not likely that the introduction of machinery will set free any of the capital of the

manufacturer when he makes his first investment. It merely provides a new type of investment for his capital, its immediate result, according to the assumption, is the dismissal of workers and the conversion of part of the variable capital into constant capital.

ad 2. So far as the general public is concerned, in the first place, *revenue* is set free as a result of the lowering in price of the commodity produced by means of the machine; *capital*—directly—only in so far as the manufactured article enters into constant capital as an element of production. ⟨If it entered into the average consumption of the worker, it would, according to Ricardo, bring in its wake a reduction in *real* wages also in the other branches of industry.%rang; A part of the revenue thus set free, will be consumed in the same article, either because the reduction in price makes it accessible to new classes of consumers (in this case, incidentally, it is not displaced revenue that is expended on the article), or because the old consumers consume more of the cheaper article, for instance four pairs of cotton stockings instead of one pair. Another part of the revenue thus set free may serve to expand the industry into which the machinery has been introduced, or it may be used in the formation of a new industry producing a different commodity, or it may serve to expand a sphere of production which already existed before. For whatever purpose the revenue thus set free and reconverted into capital is used, it will in the first place hardly be sufficient to absorb that part of the increased population which each year streams into each branch of production, and which is now debarred from entering the old industry. It is, however, also possible for a portion of the freed revenue to be exchanged against foreign products or to be consumed by unproductive workers. But *by no means* does a *necessary connection exist between the revenue that has been set free and the workers that have been set free of revenue*.

The absurd fundamental notion, however, which underlies Ricardo's view, is the following:

The capital of the manufacturer who introduces machinery is not set free. It is merely utilised in a *different* manner, namely, in such a manner that it is not, as before, transformed into wages for the workers who are discharged. A part of the variable capital is converted into constant capital. Even if some of it were set free, it would be absorbed by spheres in which the discharged labourers could not *work* and where, at the most, those who replace them could find refuge.

By expanding old spheres of production or opening up new ones the revenue set free—in so far as it is not offset by greater consumption of the cheaper article or is not exchanged against foreign means of subsistence—only gives the necessary opening (if it does so!) for that part of the annual population increase that is for the time being debarred from the old trade into which the machinery has been introduced.

But the absurdity which lies concealed at the root of Ricardo's notions, is this:

The means of subsistence which were previously consumed by the workers now discharged, remain after all in existence and are still on the market. The workers, on the other hand, are also available on the market. Thus there are, on the one hand, means of subsistence (and therefore means of payment) for workers, i.e., potential variable capital, and on the other, unemployed workers. Hence the fund is there to set them in motion. Consequently they will find employment.

Is it possible that even such an economist as Ricardo can babble such hair-raising nonsense?

According to this, no human being who is capable of work and willing, could ever starve in bourgeois society,

when there are means of subsistence on the market, at the disposal of the society, to pay him for any work whatever. These means of subsistence, in the first place, do not by any means confront those workers as capital.

Assume that 100,000 workers have suddenly been thrown out on the streets by machinery. Then in the first place there is no doubt whatsoever ||739| that the agricultural products on the market, which on the average suffice for the whole year and which were previously consumed by these workers, are still on the market as before. If there were no demand for them—and if, at the same time, they were not exportable— what would happen? As the supply relative to the demand would have grown, they would fall in price, and as a result of this fall in price, their consumption would rise, even if the 100,000 workers were starving to death. The price need not even fall. Perhaps less of these means of subsistence is imported or more of them exported.

Ricardo imagines quixotically that the entire bourgeois social mechanism is arranged so nicely that if, for instance, ten men are discharged from their work, the means of subsistence of these workers—now set free—must definitely be consumed in one way or another by the identical ten men and that otherwise they could not be sold; as if a mass of semi-employed or completely unemployed were not for ever crawling around at the bottom of this society—and as if the capital existing in the form of means of subsistence were a fixed amount.

If the market-price of corn fell due to the decreasing demand, then the capital available in the shape of corn would be *diminished* (in terms of money) and would exchange for a smaller portion of the society's money revenue, in so far as it is not exportable. And this applies even more to manufactures. During the many years in which the hand-loom weavers were slowly dying of hunger, the production and export of English cotton cloth

increased enormously. At the same time (1838–1841) the prices of provisions rose. And the weavers had only rags in which to clothe themselves and not enough food to keep body and soul together. The constant artificial production of a surplus population, which disappears only in times of feverish prosperity, is one of the necessary conditions of production of modern industry. There is nothing to prevent a part of the money capital lying idle and without employment and the prices of the means of subsistence falling because of relative surplus production while at the same time workers who have been displaced by machinery, are starving.

It is true that in the long run the labour that has been released together with the portion of revenue or capital that has been released, will find an opening in a new sphere of production or in the expansion of the old one, but this is of more benefit to *those who succeed the displaced men* than to the displaced men themselves. New ramifications of more or less unproductive branches of labour are continually being formed and in these revenue is directly expended. Then there is the formation of fixed capital (railways etc.) and the labour connected with superintendence which this opens up; the manufacture of luxuries etc., foreign trade, which increasingly diversifies the articles on which revenue is spent.

From his absurd standpoint, Ricardo therefore assumes that the introduction of machinery harms the workers only when it diminishes the gross product (and therefore gross revenue), a case which may occur, it is true, in large-scale agriculture, with the introduction of horses which consume corn in place of the workers, with the transition from corn-growing to sheep-raising etc.; but it is quite preposterous [to extend this case] to industry proper, whose ability to sell its gross product is by no means restricted by the internal market. (Incidentally, while one section of the workers starves, another section may be

better fed and clothed, as may also the unproductive workers and the middle strata between worker and capitalist.)

It is wrong, in itself, to say that the increase (or the quantity) of articles entering into revenue as such, forms a fund for the workers or forms capital for them. A portion of these articles is consumed by unproductive workers or non-workers, another portion may be transformed by means of foreign trade, from its coarse form, the form in which it serves as wages, into a form in which it enters into the revenue of the wealthy, or in which it serves as an element of production of constant capital. Finally, a portion will be consumed by the discharged workers themselves in the workhouse, or in prison, or as alms, or as stolen goods, or as payment for the prostitution of their daughters.

In the following pages I shall briefly compare the passages in which Ricardo develops this nonsense. As he says himself, he received the impetus for it from *Barton's* work, which must therefore be examined, after citing those passages.

||740| It is self-evident, that in order to employ a certain number of workers each year, a certain quantity of food and other necessary means of subsistence must be produced annually. In large-scale agriculture, stock-raising etc, it is possible for the net income (profit and rent) to be increased while the gross income is reduced, that is to say, while the quantity of necessaries intended for the maintenance of the workers is reduced. But that is not the question here. The quantity of articles entering into consumption or, to use Ricardo's expression, the quantity of articles of which the gross revenue consists, can be increased, without a consequent increase in that portion of this quantity which is transformed into variable capital. This may even decrease. In this case more is consumed as revenue by capitalists, landlords

and their retainers, the unproductive classes, the state, the middle strata (merchants) etc.

What lies behind the view taken by Ricardo (and Barton) is that he originally set out from the assumption that every accumulation of capital is equivalent to an increase in variable capital, that the demand for labour therefore increases directly, in the same proportion, as capital is accumulated. But this is wrong, since with the accumulation of capital a change takes place in its organic composition and the constant part of the capital grows at a faster rate than the variable. This does not, however, prevent revenue from constantly growing, in value and in quantity. But it does not result in a proportionately larger part of the total product being laid out in wages. Those classes and sub-classes who do not live directly from their labour become more numerous and live better than before, and the number of unproductive workers increases as well.

Since, in the first place, it has nothing to do with the question, we will not concern ourselves with the *revenue* of the capitalist who transforms a part of his variable capital into machinery (and who therefore also puts more into raw material relatively to the amount of labour employed in all those spheres of production where raw material is an element of the process of creating value). His revenue and that part of his capital which has actually gone into the production process exist, at first, in the form of *products* or rather *commodities* which he produces himself, for example yarn if he is a spinner. After the introduction of machinery he transforms one part of these commodities—or the money for which he sells them—into machinery, auxiliary materials and raw materials whereas, previously, he paid it out as wages to the workers, thus transforming it indirectly into means of subsistence for the workers. With some exceptions in agriculture, he will produce more of these commodities than before, although

his *discharged* workers have ceased to consume, and therefore to buy his own articles, though they did so before. More of these commodities will now be present on the market, although for the workers thrown on the street, they have ceased to exist [as objects of consumption] or have ceased to exist in their previous quantity. Thus, so far as his own product is concerned, in the first place, even if it enters into the consumption of the workers, its increased production in no way contradicts the fact that a part of it has ceased to exist as capital for the workers. A larger part of it (of the total product) on the other hand must now replace that portion of the constant capital which resolves into machinery, auxiliary materials and raw materials, that is to say, it must be exchanged against more of these ingredients of reproduction than formerly. If the increase in commodities through machinery and the decrease in a previously existing demand (*namely in the demand of the workers that have been discharged*) for the commodities produced by this machinery were contradictory, then in most cases, no machinery could in fact be introduced. The mass of commodities produced and the portion of these commodities which is reconverted into wages, therefore, have no definite relationship or necessary connection, when we consider the capital of which a part is transformed into machinery instead of into wage labour.

So far as society in general is concerned, the replacement of its revenue or rather the extension of the limits of its revenue takes place first of all on account of the articles whose price has been lowered by the introduction of machinery. This revenue may continue to be spent as revenue, and if a considerable part of it is transformed into capital, the increased population—apart from the artificially created surplus population—is already there to absorb that part of the revenue which is transformed into variable capital.

Prima facie, therefore, what this comes to is only: the production of all other articles, particularly in the spheres which produce articles entering into the consumption of the workers—despite the discharging of the hundred men etc.—continues on the same scale as before; quite certainly at the moment when the workers are discharged. In so far, therefore, as the dismissed workers represented a demand for these articles, the demand has decreased, although the supply has remained the same. If the reduced demand is not made good, the price will fall (or instead of a fall in price a larger stock may remain on the market for the following year). If the article is not produced for export, too, and if the decrease in demand were to persist, then reproduction would decrease, but it does not follow that the capital employed in this sphere ||741| must necessarily decrease. Perhaps more meat or commercial crops or luxury foods are produced [and] less wheat or more oats for horses etc. or fewer fustian jackets and more bourgeois frock-coats. But none of these consequences need necessarily materialise, if, for instance, as a result of the cheapening of cotton goods, the employed workers are able to spend more on food etc. The same quantity of commodities and even more of them—including those consumed by the workers—can be produced, although less capital, a smaller portion of the total product, is transformed into variable capital, that is laid out in wages.

Neither is it the case that part of the capital of the producers of these articles has been set free. At worst the demand for their commodities would have decreased, and the reproduction of their capital impeded by the reduced price of their commodities. Hence their own revenue would immediately decrease, as it would with any fall in the prices of commodities. But it cannot be said that any particular part of their commodities had previously confronted the discharged workers as capital and was now “set free” along with the workers. What confronted

the workers as capital, was a part of the commodity now being produced with machinery; this part came to them in the form of money and was exchanged by them for other commodities (means of subsistence), which did not face them as capital, but confronted their money as commodities. This is therefore an entirely different relationship. The farmer and any other producer whose commodity they bought with their wages, did not confront them as capitalist and did not employ them as workers.

They *have only ceased to be buyers for him*, which may possibly—if not counterbalanced by other circumstances—bring about a temporary depreciation in his capital, but does not set free any capital for the discharged workers. The capital that employed them "is still in being", but no longer in a form in which it resolves into wages, or only indirectly and to a smaller extent.

Otherwise anyone who through some bad luck ceased to have money, would inevitably set free sufficient capital for his own employment.

[d) Ricardo's Correct Determination of Some of the Consequences of the Introduction of Machines for the Working Class. Apologetic Notions in the Ricardian Explanation of the Problem]

By *gross revenue* Ricardo means that part of the product which replaces wages and surplus-value (profits and rent); by net revenue he means the surplus-product, [which] equals the surplus-value. He forgets here, as throughout his work, that a portion of the gross product must replace the value of the machinery and raw material, in short, the value of the constant capital.

* * *

Ricardo's subsequent treatment is of interest, partly because of some of the observations he makes in passing, partly because, *mutatis mutandis*, it is of practical importance for large-scale agriculture, particularly sheep-rearing, and shows the limitations of capitalist production. Not only is its determining purpose not production for the producers (workmen), but its exclusive aim is *net revenue* (profit and rent), even if this is achieved at the cost of the volume of production—at the cost of the volume of commodities produced.

> "My mistake arose from the supposition, that whenever the net *income* of a society increased, its *gross income* would also increase; I now, however, see reason to be satisfied that *the one fund, from which landlords and capitalists derive their revenue, may increase*, while the other, *that upon which the labouring class mainly depend, may diminish*, and therefore it follows, if I am right, that the *same cause* which may increase the net revenue of the country, may at the same time *render the population redundant*, and deteriorate the condition of the labourer" (l.c., p. 469).

First it is noteworthy that Ricardo here admits that causes which further the wealth of the capitalists and landlords "may…*render the population redundant*…" so that redundant population or over-population is presented here as the result of the process of enrichment itself, and of the development of productive forces which conditions this process.

So far as the fund is concerned, out of which the capitalists and landlords draw their revenue and on the other hand the fund from which the workers draw theirs, to begin with, it is the total product which forms this common fund. A large part of the products which enter into the consumption of the capitalists and landlords, does not enter into the consumption of the workers. On the other hand, almost all, in fact more or less all,

products which enter into the consumption of the workers also enter into that of the landlords and capitalists, their retainers and hangers-on, including dogs and cats. One cannot suppose that there are two essentially distinct fixed funds in existence. The important point is, what relative portion each of these groups draws from the common fund. The aim of capitalist production is to obtain as large an amount of surplus-product or surplus-value as possible with a given amount of wealth. This aim is achieved by constant capital growing more rapidly in proportion to variable capital or by setting in motion the greatest possible ||742| constant capital with the least possible variable capital. In much more general terms than Ricardo conceives here, the same cause effects an increase in the fund out of which capitalists and landlords draw their revenue, by a decrease in the fund out of which the workers draw theirs.

It does not follow from this that the fund from which the workers draw their revenue is diminished *absolutely;* only that it is diminished *relatively*, in proportion to their total output. And that is the only important factor in the determination of the portion which they appropriate out of the wealth they themselves created.

"A capitalist we will suppose employs a capital of the value of £ 20,000 and that he carries on the joint business of a farmer, and a manufacturer of necessaries. We will further suppose, that £ 7,000 of this capital is invested in fixed capital, viz. in buildings, implements, etc., etc., and that the remaining £ 13,000 is employed as circulating capital in the support of labour. Let us suppose, too, that profits are 10 per cent, and consequently that the capitalist's capital is every year put into its original state of efficiency, and yields a profit of £ 2,000.

> "Each year the capitalist begins his operations, by having food and necessaries in his possession of the value of £ 13,000, all of which he sells in the course of the year to his own workmen for that sum of money, and, during the same period, he pays them the like amount of money for wages: *at the end of the year* they replace in his possession food and necessaries of the value of £ 15,000, £ 2,000 of which he consumes himself, or disposes of as may best suit his pleasure and gratification."

⟨The *nature of surplus-value* is very palpably expressed here. The passage is on pp. 469–70.%rang;

"As far as these products are concerned, the *gross produce* for that year is £ 15,000, and the net produce £ 2,000. Suppose now, that the following year the capitalist employs half his men in constructing a machine, and the other half in producing food and necessaries as usual. During that year he would pay the sum of £ 13,000 in wages as usual, and would sell food and necessaries to the same amount to his workmen; but what would be the case the following year?

> "While the machine was being made, only one-half of the usual quantity of food and necessaries would be obtained, and they would be only one-half the value of the quantity which was produced before. The machine would be worth £ 7,500, and the food and necessaries £ 7,500, and, therefore, the capital of the capitalist would be as great as before for he would have besides these two values, his fixed capital worth £ 7,000, making in the whole £ 20,000 capital, and £ 2,000 profit. After deducting this latter sum for his own expenses, he would have a no greater circulating capital than £ 5,500 with which to carry on his subsequent operations; and, therefore, his means of employing labour, would be reduced in the proportion of £ 13,000 to £ 5,500, and, consequently, *all the labour which was before employed by £ 7,500, would become redundant*" [l.c., pp. 469–71].

{This would, however, also be the case if by means of the machine which costs £7,500, exactly the same quantity of products were produced as previously with a variable capital of £13,000. Suppose the wear and tear of the machine were equal to one-tenth in one year, that is to £750, then the value of the product—previously £15,000—would now be £8,250. (Apart from the wear and tear of the original fixed capital of £7,000, whose replacement Ricardo does not mention at all.) Of these £8,250, £2,000 would be profit, as previously out of the £15,000. The lower price would be advantageous to the farmer in so far as he himself consumes food and necessaries as revenue. It would also be advantageous to him in so far as it enables him to reduce the wages of the workers he employs thus releasing a portion of his variable capital. It is this portion, which to a certain degree could employ new labour, but only because the *real wage* of the workers who have been retained had fallen. A small number of those who have been discharged could thus—at the cost of those who had been retained—be re-employed. The fact however that the product would be just as great as before, would not help the dismissed workers. If the wage remained the same, no part of the variable capital would be released. The fact that the product of £8,250 represents the same amount of necessaries and food as previously £15,000 does not cause its value to rise. The farmer would have to sell it for £8,250, partly in order to replace the wear and tear of his machinery and partly in order to replace his variable capital. In so far as this lowering of the price of food and necessaries did not bring about a fall in wages in general, or a fall in the ingredients entering into the reproduction of the constant capital, the revenue of society would have expanded only in so far as it is expended on food and necessaries. A section of the unproductive and productive workers etc. would live better. That is all. (They could also save, but that is always action in the future). The discharged workers would remain on the

street, although the *physical* possibility of their maintenance existed just as much as before. Moreover, the same capital would be employed in the reproduction process as before. But a *part of the product* (whose value had fallen), which previously existed as *capital* has now become *revenue.}*

"The reduced quantity of labour which the capitalist *can* employ, must, indeed, with the assistance of the machine, and after deductions for its repairs, produce a value equal to £ 7,500, it must replace the circulating capital with a profit of £ 2,000 on the whole capital; but if this be done, ||743| if the net income be not diminished, of what importance is it to the capitalist, whether the gross income be of the value of £ 3,000, of £ 10,000, or of £ 15,000?"

⟨This is perfectly correct. The gross income is of absolutely no importance to the capitalist. The only thing which is of interest to him is the net income.%rang;

> "In this case, then, although the net produce will not be diminished in value, although its power of purchasing commodities may be greatly increased, the gross produce will have fallen from a value of £ 15,000 to a value of £ 7,500, and as *the power of supporting a population, and employing labour, depends always on the gross produce of a nation, and not on its net produce*" [l.c., p. 471]

⟨Hence Adam Smith's partiality for gross produce, a partiality to which Ricardo objects. See *Chapter XXVI "On Gross and Net Revenue"*, which Ricardo opens with the words:

> "Adam Smith constantly magnifies the advantages which a country derives from a large gross, rather than a large net income" (l.c., p. 415)%rang;
>
> "...there will *necessarily be a diminution in the demand for labour, population will*

> *become redundant*, and the situation of the labouring classes will be that of distress and poverty" [l.c., p. 471].

⟨Labour therefore *becomes redundant*, because the demand for labour diminishes, and that demand diminishes in consequence of the development in the productive powers of labour.%rang;

> "As, however, *the power of saving from revenue to add to capital, must depend on the efficiency of the net revenue*, to satisfy the wants of the capitalist, it *could not fail to follow from the reduction in the price of commodities consequent on the introduction of machinery*, that with the *same* wants" (but his wants grow larger) "he would *have increased means of saving,—increased facility of transferring revenue into capital*" (l.c., pp. 471–72).

⟨According to this, first one part of capital is transformed into revenue, transferred to revenue—not in terms of value, but as regards the use-value, the material elements of which the capital consists—in order later, to transfer a part of the revenue back into capital. For example, when £13,000 was laid out in variable capital a part of the product amounting to £7,500, entered into the consumption of the workers whom the farmer employed, and this part of the product formed part of his capital. Following upon the introduction of machinery, for example, according to our supposition, the same amount of product is produced as previously, but its value does not amount to £15,000, as previously, but only to £8,250; and a larger part of this cheaper product enters into the revenue of the farmer or the revenue of the buyers of food and necessaries. They now consume a part of the product as revenue which was previously consumed industrially, as capital, by the farmer, although his labourers (since dismissed) consumed it as revenue as well. As a result of this growth in revenue—which has come about because a part of the product which was previously consumed as capital is now consumed as

revenue—new capital is formed and revenue is reconverted into capital.%rang;

> "But with every increase of capital he would employ more labourers;"

⟨this *in any case* not in proportion to the increased capital, not to the whole extent of that increase. Perhaps he would buy more horses, or guano, or new implements%rang;

"and, therefore, a *portion of the people thrown out of work in the first instance, would be subsequently employed; and if the increased production, in consequence of the employment of the machine, was so great as to afford, in the shape of net produce, as great a quantity of food and necessaries as existed before in the form of gross produce*, there would be *the same ability to employ the whole population*, and, therefore, there would not *necessarily*" ⟨but possibly and probably!%rang; "*be any redundancy of people*" (l.c., pp. 469–72).

In the last lines, Ricardo thus says what I observed above. In order that revenue is transformed in this way into capital, capital is first transformed into revenue. Or, as Ricardo puts it: First the net produce is increased at the expense of the gross produce in order then to reconvert a part of the net produce into gross produce. Produce is produce. Net or gross makes no difference (although this antithesis may also mean that the *excess over and above the outlay* increases, that therefore the net produce grows although the total product, i.e., the gross produce, diminishes). The produce only becomes net or gross, according to the determinate form which it assumes in the process of production.

> "All I wish to prove, is, that the discovery and use of machinery may be attended with a diminution of gross produce; and whenever that is the case, it will be injurious to the labouring class, as some of their number will

> be thrown out of employment, and *population will become redundant, compared with the funds which are to employ it*" (l.c., p. 472).

But the same may, and in most instances ||744| will, be the case, even if the gross produce remains the same or increases; but that part of it which was formerly used as variable capital, is now consumed as revenue.

It is superfluous for us to go into Ricardo's absurd example of the clothier who reduces his production because of the introduction of machinery (pp. 472–74).

> "If these views be correct, it follows,
>
> "*1st*. That the discovery, and useful application of machinery, *always leads* to *the increase* of the *net produce of the country*, although it may not, and will not, after an inconsiderable interval, increase the *value of that net* produce" (l.c., p. 474).

It will always increase that value whenever it diminishes the value of labour.

> "*2dly*. That an increase of the net produce of a country is compatible with a diminution of the gross produce, and that the motives for employing machinery are always sufficient to insure its employment, if it will increase the net produce, although it may, and frequently must, diminish both the quantity of the gross produce, and its value.
>
> "*3dly*, That the opinion entertained by the labouring class, that the employment of machinery is frequently detrimental to their interests, is not founded on prejudice and error, but is conformable to the correct principles of political economy.
>
> "*4thly*. That if the improved means of production, in consequence of the use of machinery, should increase the net produce of a country in a degree so great as not to diminish the gross produce, (I mean always quantity of

> commodities and not value,) then the situation of all classes will be improved. The landlord and capitalist will benefit, not by an increase of rent and profit, but by the advantages resulting from the expenditure of the same rent, and profit, on commodities, very considerably reduced in value"

⟨this sentence contradicts the whole of Ricardo's doctrine, according to which the lowering in the price of necessaries, and therefore of wages, raises profits, whereas machinery, which permits more to be extracted from the same land with less labour, must lower rent%rang;,

> "while the situation of the labouring classes will also be considerably improved; 1st, *from the increased demand for menial servants;*"

⟨this is indeed a fine result of machinery, that a considerable section of the female and male labouring class is turned into servants;%rang;

> "2dly, from the stimulus to savings from revenue, which such an abundant net produce will afford; and 3dly, from the low price of all articles of consumption on which their wages will be expended" ⟨and in consequence of this low price their wages will be reduced%rang; (l.c., pp. 474–75).

The entire apologetic bourgeois presentation of machinery does not deny,

1. That machinery—sometimes here, sometimes there, but continually—makes a part of the population redundant, throws a section of the labouring population on the street. It creates a surplus population, thus leading to lower wages in certain spheres of production, here or there, not because the population grows more rapidly than the means of subsistence, but because the rapid growth in the means of subsistence, due to machinery, enables more machinery to be introduced

and *therefore* reduces the *immediate demand for labour*. This comes about not because the social fund diminishes, but because of the growth of this fund, the part of it which is spent in wages falls relatively.

2. Even less do these apologetics deny the subjugation of the workers who operate the machines and the wretchedness of the manual workers or craftsmen who are displaced by machinery and perish.

What they assert—and partly rightly—is [*firstly*] that due to machinery and the development of the productivity of labour in general the net revenue (profit and rent) grows to such an extent, that the bourgeois needs more *menial servants* than before; whereas previously he had to lay out more of his product in productive labour, he can now lay out more in unproductive labour, [so that] servants and other workers living on the unproductive class increase in number. This progressive transformation of a section of the workers into servants is a fine prospect. For the worker it is equally consoling that because of the growth in the net product, more spheres are opened up for unproductive workers, who live on his product and whose interest in his exploitation coincides more or less with that of the directly exploiting classes.

Secondly, that because of the spur given to accumulation, on the new basis requiring less living labour in proportion to past labour, the workers who were dismissed and pauperised, or at least that part of the population increase ||745| which replaces them, are either absorbed in the expanding engineering-works themselves, or in branches of production which machinery has made necessary and brought into being, or in new fields of employment opened by the new capital, and satisfying new wants. This then is another wonderful prospect: the labouring class has to bear all the "temporary inconveniences"—unemployment,

displacement of labour and capital—but *wage-labour is nevertheless not to be abolished, on the contrary it will be reproduced on an ever growing scale, growing absolutely, even though decreasing relatively to the growing total capital which employs it.*

Thirdly: that consumption becomes more *refined* due to machinery. The reduced price of the immediate necessities of life allows the scope of luxury production to be extended. Thus the third fine prospect opens before the workers : in order to win their means of subsistence, the same amount of them as before, the same number of labourers will enable the higher classes to extend, refine, and diversify the circle of their enjoyments, and thus to widen the economic, social, and political gulf separating them from their betters. Fine prospects, these, for the labourer, and very desirable results of the development of the productive powers of his labour.

Furthermore, Ricardo then shows that it [is in] the interest of the labouring classes,

> "that as much of the revenue as possible should be diverted from expenditure on luxuries, to be expended in the support of[d] menial servants" (l.c., p. 476). For whether I [purchase] furniture or keep menial servants, I thereby present a demand for a definite amount of commodities and set in motion approximately the same amount of productive labour in one case as in the other; but in the latter case, I add [a new demand] "to the former demand for labourers, and this addition would take place only because I chose this mode of expending my revenue' (l.c., p. 476).

The same applies to the maintenance of large fleets and armies.

"Whether it" (the revenue) "was expended in the one way or in the other, there would be *the same quantity of*

labour employed in production; for the food and clothing of the soldier and sailor would require the same amount of industry to produce it as the more luxurious commodities; but in the case of the war, there would be the additional demand for men as soldiers and sailors; and, consequently, a war which is supported out of the revenue, and not from the capital of a country, is favourable to the increase of population" (l.c., p. 477).

> "There is one other case that should be noticed of the possibility of an *increase in the amount of the net revenue of a country*, and *even of its gross revenue*, with a diminution of demand for labour, and that is, when the labour of horses is substituted for that of man. If I employed one hundred men on my farm, and if I found that the food bestowed on fifty of those men, could be diverted to the support of horses, and afford me a greater return of raw produce, after allowing for the interest of the capital which the purchase of the horses would absorb, it would be advantageous to me to substitute the horses for the men, and I should accordingly do so; but this would not be for the interest of the men, and unless the income I obtained, was so much increased as to enable me to employ the men as well as the horses, *it is evident that the population would become redundant*, and the labourer's condition would sink in the general scale. It is evident he could not, under any circumstances, he employed in agriculture;" (why not? if the field of agriculture were enlarged?) "but if the produce of the land were increased by the substitution of horses for men, be might be employed in manufactures, or as a menial servant" (l.c., pp. 477–78).

There are two tendencies which constantly cut across one another; [firstly,] to employ as little labour as possible, in order to produce the same or a greater quantity of commodities, in order to produce the same or a greater net produce, surplus-value, net revenue; secondly, to employ the largest possible number of

workers (although as few as possible in proportion to the quantity of commodities produced by them) , because—at a given level of productivity—the mass of surplus-value and of surplus-product grows with the amount of labour employed. The one tendency throws the labourers on to the streets and makes a part of the population redundant, the other absorbs them again and extends wage-slavery absolutely, so that the lot of the worker is always fluctuating but he never escapes from it. The worker, therefore, justifiably regards the development of the productive power of his own labour as hostile to himself; the capitalist, on the other hand, always treats him as an element to be eliminated from production. These are the contradictions with which Ricardo struggles in this chapter. What he forgets to emphasise ||746| is the constantly growing number of the middle classes, those who stand between the workman on the one hand and the capitalist and landlord on the other. The middle classes maintain themselves to an ever increasing extent directly out of revenue, they are a burden weighing heavily on the working base and increase the social security and power of the upper ten thousand.

According to the bourgeoisie the perpetuation of wage-slavery through the application of machinery is a "vindication" of the latter.

> "I have before observed, too, that *the increase of net incomes, estimated in commodities, which is always the consequence of improved machinery*, will lead to new savings and accumulations. *These savings*, it must be remembered, are *annual*, and must soon create a *fund, much greater than the gross revenue, originally lost by the discovery of the machine*, when the demand for labour will be as great as before, and the situation of the people will be still further improved by the increased savings which the increased net revenue will still enable them to make" (l.c., p. 480).

First gross revenue declines and net revenue increases. Then a portion of the increased net revenue is transformed into capital again and hence into gross revenue. Thus the workman must constantly enlarge the power of capital, and then, after very serious disturbances, obtain permission to repeat the process on a larger scale.

"With every increase of capital and population, food will generally rise, on account of its being more difficult to produce" (l.c., pp. 478–79).

It then goes straight on:

> "The consequence of a rise of food will be a rise of wages, and every rise of wages will have a tendency to determine *the saved capital in a greater proportion than before to the employment of machinery. Machinery and labour are in constant competition, and the former can frequently not be employed until labour* rises*" (l.c., p. 479).

The machine is thus a means to prevent a rise of labour.

> "To elucidate the principle, I have been supposing, that improved machinery is *suddenly* discovered, and extensively used; but the truth is, that these discoveries are gradual, and rather operate in *determining the employment of the capital which is saved and accumulated, than in diverting capital from its actual employment*" (l.c., p. 478).

The truth is, that it is not so much the displaced labour as, rather, the new supply of labour—the part of the growing population which was to replace it—for which, as a result of new accumulation, new fields of employment are opened.

> "In America and many other countries, where the food of man is easily provided, there is not nearly such great temptation to employ machinery" ⟨nowhere is it used on such a

> massive scale and also, so to speak, for domestic needs as in America%rang; “as in England, where food is high, and costs much labour for its production” [l.c., p. 479].

{How little the employment of machinery is dependent on the price of food is shown precisely by America, which employs relatively much more machinery than England, where there is always a redundant population. The use of machinery *may*, however, depend on the relative scarcity of labour as, for instance, in America, where a comparatively small population is spread over immense tracts of land. Thus we read in the *Standard* of September 19, 1862, in an article on the Exhibition:

> “‘Man is a machine-making animal’... if we consider the American as a representative man, the definition is ... perfect. It is one of the cardinal points of an American’s system to do nothing with his bands that he can do by a machine. From rocking a cradle to making a coffin, from milking a cow to clearing a forest, from sewing on a button to voting for President, almost, he had a machine for everything. He has invented a machine for saving the trouble of masticating food... The *exceeding scarcity of labour* and its consequent high value” ⟨despite the low value of food%rang;, “as well as a certain innate ‘cuteness’ have stimulated this inventive spirit... The machines produced in America are, generally speaking, inferior in value to those made in England ... they are rather, as a whole, *makeshifts to save labour* than inventions to accomplish former impossibilities”, ⟨And the steam ships?%rang; ... [at the Exhibition] “in the United States department [...] is *Emery’s cotton gin*. For many a year after the introduction of cotton to America the crop was very small; because not only was the demand rather limited, but the difficulty of cleaning the crop by manual labour rendered it anything but remunerative. When Eli Whitney, however, invented the saw cotton-gin ||747| there *was an immediate increase in the breadth planted*, and that increase has up

to the present time gone on almost in an arithmetical[e] progression. In fact, it is not too much to say that Whitney made the cotton trade. With modifications more or less important and useful his gin has remained in use ever since; and until the invention of the present improvement and addition Whitney's original gin was quite as good as the most of its would-he supplanters. By the present machine, which bears the name of Messrs. Emery of [...] Albany, N.Y., we have no doubt that Whitney's gin, on which it is based, will be almost entirely supplanted. It is simple and more efficacious; it delivers the cotton not only cleaner, but in sheets like wadding, and thus the layers as they leave the machine are at once fit for the cotton press and the bale ... In [the] American Court proper there is little else than machinery [...] *The cow-milker ... a belt-shifter ... a hemp carding and spinning machine*, which at one operation reels the cliver direct from the bale ... *machines*[f] [...] *for the manufacture of paper-bags*, which it cuts from the sheet, pastes, folds, and perfects at the rate of 300 a minute ... Hawes's clothes-wringer, which by two indiarubber rollers presses from clothes the water, leaving them almost dry, [...] saves time, but does not injure the texture ... *bookbinder's machinery ... machines for making shoes*. It is well known that the uppers have been for a long time made up by machinery in this country, but here are machines for putting on the sole, others for cutting the sole to shape, and others again for trimming the heels... A *stone-breaking machine* is very powerful and ingenious, and no doubt will come extensively into use for ballasting roads and crushing ores... A *system of marine signals* by Mr. W. H. Ward of Auburn, New York... *Reaping and mowing machines* are an American invention coming into very general favour in England. [...] McCormick's" [machine is] "the best ... Hansbrow's California Prize Medal *Force Pump*, is in simplicity and efficiency the best [...] in the Exhibition ... it will throw more

> water with the same power than any pump in the world… *Sewing machines…*"}
>
> "The same cause that raises labour, does not raise the value of machines, and, therefore, *with every augmentation of capital, a greater proportion of it is employed on machinery. The demand for labour will continue to increase with on increase of capital, but not in proportion to its increase; the ratio will necessarily be a diminishing ratio*" ([David Ricardo, *On the Principles of Political Economy, and Taxation*, third edition, London, 1821,] p. 479).

In the last sentence Ricardo expresses the correct law of growth of capital, although his reasoning is very one-sided. He adds a note to this, from which it is evident that he follows *Barton* here, whose work we will therefore examine briefly.

But first one more comment. When Ricardo discussed revenue expended either on menial servants or luxuries, he wrote:

> "In both cases the net revenue would he the same, and so would be the gross revenue, but the *former would be realised in different commodities*" (l.c., p. 476).

Similarly the gross produce, in terms of value, may be the same, but it may "be realised"—and this would strongly affect the workmen—" *in different commodities*" according to whether it had to replace more variable or constant capital.

[2. Barton's Views]

[a) Barton's Thesis that Accumulation of Capital Causes a Relative Decrease in the Demand for Labour. Barton's and Ricardo's Lack of Understanding of the Inner Connection Between This

Phenomenon and the Domination of Capital over Labour]

Barton's work is called:

John Barton. *Observations on the Circumstances which Influence the Condition of the Labouring Classes of Society*, London, 1817.

Let us first gather together the small number of theoretical propositions to be found in Barton's work.

> "The demand for labour depends on *the increasing of circulating, and not of fixed capital.* Were it true *that the proportion between these two sorts of capital is the same at all times, and in all countries*, then, indeed, it follows that the *number of labourers employed is in proportion to the wealth of the State*. But such a position has not the semblance of probability. As arts are cultivated, and civilization is extended, *fixed capital bears a larger and larger proportion to circulating capital.* The amount of fixed capital employed in the production of a piece of British muslin is at least a hundred, probably a thousand times greater than that employed in the production of a similar piece of Indian muslin. And the ||748| proportion of circulating capital employed is a hundred or a thousand times less. It is easy to conceive that, under certain circumstances, the whole of the annual savings of an industrious people might he added to fixed capital, in which case they would have no effect in increasing the demand for labour" (l.c., pp. 16–17).

⟨Ricardo comments on this passage in a note on page 480 of his work:

> "It is not easy, I think, to conceive that under any circumstances, an increase of capital should not he followed by an increased demand for labour; the most that can he said is, that the *demand will be in a diminishing ratio.* Mr.

> Barton, in the above publication, has, I think, taken *a correct view* of some of the effects of an increasing amount of fixed capital on the condition of the labouring classes. His Essay contains much valuable information."%rang;

To Barton's above proposition we must add the following one:

> "Fixed capital [...] when once formed, ceases to affect the demand for labour," (incorrect, since it necessitates reproduction, even if only at intervals and gradually) "but during its formation it gives employment to just as many hands as an equal amount would employ, either of circulating capital, or of revenue" (l.c., p. 56).

And:

> "The demand for labour [...] depends absolutely on the joint amount of revenue and circulating capital" (l.c., pp. 34–35).

Indisputably, Barton has very great merit.

Adam Smith believes that the demand for labour grows in direct proportion to capital accumulation. Malthus derives surplus population from capital not being accumulated (that is, reproduced on a growing scale) as rapidly as the population. Barton was the first to point out that the different organic component parts of capital do not grow evenly with accumulation and development of the productive forces, that on the contrary in the process of this growth, that part of capital which resolves into wages decreases in proportion to that part (he calls it fixed capital) which in relation to its size, alters the demand for labour only to a very small degree. He is therefore the first to put forward the important proposition "that the number of labourers employed is" *not* "in proportion to the wealth of the state", that relatively more workers are employed in an industrially

undeveloped country than in one which is industrially developed.

In the third edition of his *Principles*, Chapter XXXI "*On Machinery*", Ricardo—having followed exactly in Smith's footsteps in his earlier editions—now takes up Barton's correction on this point, and moreover, in the same *one-sided* formulation in which Barton gives it. The only point in which he makes an advance—and this is important—is that, unlike Barton, he not only says that the demand for labour does not grow *proportionally* with the development of machinery, but that the machines themselves "*render the population redundant*" [l.c., p. 469], i.e., create surplus population. But he wrongly limits this effect to the case in which the net produce is increased at the cost of the gross produce. This only occurs in agriculture, but he also transfers it into industry. Essentially' however, the whole of the absurd theory of population was thus overthrown, in particular also the claptrap of the vulgar economists, that the workers must strive to keep their multiplication below the standard of the accumulation of capital. The opposite follows from Barton's and Ricardo's presentation, namely that to keep down the labouring population, thus diminishing the supply of labour, and, consequently, raising its price, would only *accelerate* the application of machinery, the conversion of circulating into fixed capital, and, hence, make the population artificially "redundant"; redundancy exists, generally, not in regard to the quantity of the means of subsistence, but the means of employment, the actual demand for labour.

||749| Barton's error or deficiency lies in his conceiving the organic differentiation or composition of capital only in the form in which it appears in the *circulation process*—as fixed and circulating capital—a difference which the Physiocrats had already discovered, which Adam Smith had developed further and which became a prepossession among the economists who succeeded

him; a prepossession in so far as they see *only* this difference—which was handed 'down to them—in the organic composition of capital. This difference, which arises out of the process of circulation, has a considerable effect on the reproduction of wealth in general, and therefore also on that part of it which forms the wages fund. But that is not decisive here. The difference between fixed capital such as machinery, buildings, breeding cattle etc. and circulating capital, does not *directly* lie in their relation to wages, but in their mode of circulation and reproduction.

The *direct relation* of the different component parts of capital to living labour is not connected with the phenomena of the circulation process. It does not arise from the latter, but from the *immediate process of production*, and its [expression] is the relation of *constant* to *variable capital*, whose difference is based *only* on their relationship to living labour.

Thus Barton says for example: The demand for labour does not depend on *fixed capital*, but only on circulating capital. But a part of circulating capital, *raw material* and *auxiliary materials*, is not exchanged against living labour, any more than is machinery. In all branches of industry in which raw material enters as an element into the process of the creation of value— in so far as we consider only that portion of the fixed capital which enters into the commodity—it forms the *most important* part of that portion of capital which is not laid out in wages. Another part of the circulating capital, namely of the commodity capital, consists of articles of consumption which enter into the revenue of the non-productive class (i.e., [not of] the working class). The growth of these two parts of *circulating* capital therefore does not influence the demand for labour any more than does that of fixed capital. Furthermore, the part of the circulating capital which resolves into raw materials and auxiliary materials increases in the same or even greater

proportion as that part of capital which is fixed in machinery etc.

On the basis of the distinction made by Barton, *Ramsay* goes further. He improves on Barton but retains his method of approach. Indeed he reduces the distinction to constant and variable capital, but continues to call constant capital *fixed* capital, although he includes raw materials etc., and [calls] variable capital circulating capital, although he excludes from it all circulating capital which is not directly laid out in wages. More on this later, when we come to Ramsay. It does, however, show the intrinsic necessity of the progress.

Once the distinction between constant capital and variable capital has been grasped, a distinction which arises simply out of the immediate process of production, out of the relationship of the different component parts of capital to living labour, it also becomes evident that in itself it has nothing to do with the absolute amount of the consumption goods produced, although plenty with the way in which these are realised. The way, however, of realising the gross revenue in different commodities is not, as Ricardo has it, and Barton intimates it, *the cause*, but the *effect* of the immanent laws of capitalistic production, leading to a diminishing proportion, compared with the total amount of produce, of that part of it which forms the fund for the reproduction of the labouring class. If a large part of the capital consists of machinery, raw materials, auxiliary materials etc., then a smaller portion of the working class as a whole will be employed in the reproduction of the means of subsistence ||750| which enter into the consumption of the workers. This relative diminution in the reproduction of variable capital, however, is not the reason for the relative decrease in the demand for labour, but on the contrary, its effect. Similarly: A larger section of the workers employed in the production of articles of

consumption which enter into revenue in general, will produce articles of consumption that are consumed by—are exchanged against the revenue of—capitalists, landlords and their retainers (state, church etc.), [and a smaller) section [will produce] articles destined for the revenue of the workers. But this again is effect, not cause. A change in the social relation of workers and capitalists, a revolution in the conditions governing capitalist production, would change this at once. The revenue would be "realised in different commodities", to use an expression of Ricardo's.

There is nothing in the, so-to-speak, physical conditions of production which forces the above to take place. The workmen, if they were dominant, if they were allowed to produce for themselves, would very soon, and without great exertion, bring the capital (to use a phrase of the vulgar economists) up to the standard of their needs. The very great difference is whether the available means of production confront the workers as capital and can therefore be employed by them *only* in so far as it is necessary for the increased production of surplus-value and surplus-produce for their employers, in other words whether the means of production employ *the workers*, or whether the workers, as subjects, employ the means of production—in the accusative case—in order to produce wealth for themselves. It is of course assumed here that capitalist production has already developed the productive forces of labour in general to a sufficiently high level for this revolution to take place.

⟨Take for example 1862 (the present autumn). The plight 'of the Lancashire unemployed labourers; on the other hand, "the difficulty of finding employment for money" on the London money market, this has almost made necessary the formation of fraudulent companies, since it [is] difficult to obtain two per cent for money. According to Ricardo's theory "some new field of employment ought to have been opened up," for on the

one hand there is capital in London, and on the other, unemployed workers in Manchester.%rang;

[b) Barton's Views on the Movement of Wages and the Growth of Population]

Barton explains further, that the accumulation of capital increases the demand for labour only very slowly, unless the population has grown to such an extent *previously*, that the rate of wages is low.

> "The *proportion which the wages of labour at any particular*[g] *time bear to the whole produce of [...] labour* [...] determine the appropriation" of capital "in one way" (as fixed capital) "or the other" (circulating capital) ([John Barton, *Observations on the Circumstances Which Influence the Condition of the Labouring Class of Society*, London, 1817], p. 17).
>
> "For if [...] the rate of wages should decline, while the price of goods remained the same, or if goods should rise, while wages remained the same, the profit of the employer would increase, and he would be induced to hire more hands. If on the other hand, wages should rise in proportion to commodities" [the] "master[h]' [...] would [...] keep as few hands as possible.— He would aim at performing every thing by machinery" (l.c., pp. 17–18).
>
> "We have good evidence that population advanced much more slowly under a gradual rise of wages during the earlier part of the last century, than during the latter part of the same century while the real price of labour fell rapidly" (l. c., p. 25).
>
> "A rise of wages, of itself, then, never increases the labouring population;—a fall of wages may sometimes increase it very rapidly. Suppose that" the Englishman's demands should sink to the level of the Irishman's. Then the manufacturer would engage more [workers][i] "in proportion to the

diminished expense of maintenance" (l.c., p. 26).

"It is *the difficulty of finding employment*, much more *than the insufficiency of the rate of wages*, which discourages marriage" (l.c., p. 27).

"It is admitted that every increase of wealth has a tendency to create a fresh demand for labour; but as labour, of all commodities, requires the greatest length of time for its production"

⟨for the same reason, the rate of wages can remain below the average for long periods, because of all commodities, labour is the most difficult to withdraw from the market and thus to bring down to the level of the actual demand%rang;

"so, of all commodities ||751| it is the most raised [...] by a given increase of demand; and as every rise of wages produces a tenfold reduction of profits; it is evident that the accumulation of capital can operate *only in an inconsiderable degree in adding to the effectual demand* for labour, *unless preceded by such an increase of population as shall have the effect of keeping down the rate of wages*" (l. c., p. 28).

Barton puts forward various propositions here:

First: It is not the rise of wages in itself which increases the labouring population, but a fall in wages may very easily and rapidly make it rise. Proof: First half of the eighteenth century, gradual rise in wages, slow movement in population; in the second half of the eighteenth century, on the other hand, sharp fall in real wages, rapid increase in the labouring population. Reason: It is not the insufficient rate of wages which prevents marriages, but the difficulty of finding employment.

Secondly: The facility of finding employment stands, however, in inverse ratio to the rate of wages. For capital is transformed into circulating or fixed capital, that is to say, capital which employs labour or capital which does not employ it, in inverse proportion to the high or low level of wages. If wages are low, then the demand for labour is great because it is then profitable for the employer to use much labour, and he can employ *more* with the same circulating capital. If wages are high, then the manufacturer employs as few workers as possible and seeks to do everything with the aid of machines.

Thirdly: The accumulation of capital by itself raises the demand for labour only slowly, because each increase in this demand, if [labour is] scarce, causes [the wages] of labour to rise rapidly and brings about a fall of profit which is ten times greater than the rise in wages. Accumulation can have a rapid effect on the demand for labour only if *accumulation was preceded by a large increase in the labouring population*, and wages are therefore very low so that even a rise of wages still leaves them low because the demand mainly absorbs unemployed workers rather than competing for those fully employed.

This is all, *cum grano salis*, correct so far as fully developed capitalist production is concerned. But it does not explain this development itself.

And even Barton's historical proof therefore contradicts that which it is supposed to prove.

During the first half of the eighteenth century, wages rose gradually, the population grew slowly and [there was] no machinery; moreover, compared with the following half of the century, little other fixed capital [was employed].

During the second half of the eighteenth century, however, wages fell continuously, population grew amazingly—and [so did] machinery. But it was precisely the machinery which on the one hand made the existing population superfluous, thus reducing wages, and on the other hand, as a result of the rapid development of the world market, absorbed the population again, made it redundant once more and then absorbed it again; while at the same time, it speeded up the accumulation of capital to an extraordinary extent, and increased the *amount* of variable capital, although variable capital fell relatively, both compared with the total value of the product and also compared with the number of workers it employed. In the first half of the eighteenth century, however, large-scale industry did not as vet exist, but only *manufacture based on the division of labour*. The principal component part of capital was still variable capital laid out in wages. The productivity of labour developed slowly, compared with the second half of the century. The demand for labour, and therefore also wages, rose almost proportionately to the accumulation of capital. England was as vet essentially an agricultural nation and a very extensive cottage industry—spinning and weaving—which was carried on by the agricultural population, continued to exist, and even to expand. A numerous proletariat could not as yet come into being, any more than there could exist industrial millionaires at the time. In the first half of the eighteenth century, variable capital was relatively dominant; in the second, fixed capital; but the latter requires a large mass of human material. Its introduction on a large scale must be preceded by an increase of population. The whole course of things, however, contradicts Barton's presentation, in as much as it is evident that a general change in the method of production took place. The laws which correspond to large-scale industry are not identical with those corresponding to manufacture ||752|. The latter

constitutes merely a phase of development leading to the former.

But in this context some of Barton's historical data—comparing the development in England during the first half and the second half of the eighteenth century—are of interest, partly because they show the movement of wages, and partly because they show the movement in corn prices.

> "... wages [...] increased from the middle of the seventeenth, till near the middle of the eighteenth century, for the price of corn declined within that space of time not less than 35 per cent" [l.c., p. 25]. "The following statement will shew what proportion the *wages of husbandry* [...] have borne[j] to the price of corn [...] during the last seventy years.

Periods	Weekly pay	Wheat per quarter	Wages in pints of wheat
1742 to 1752	6s. 0d.	30s. 0d.	102
1761 to 1770	7s. 6d.	42s. 6d.	90
1780 to 1790	8s. 0d.	51s. 2d.	80
1795 to 1799	9s. 0d.	70s. 8d.	65
1800 to 1808	11s. 0d.	86s. 8d.	60

(l.c., pp. 25–26)

'From a table of the number of Bills for the inclosing of land passed in each session since the revolution, given in the Lord's Report on the Poor Laws" (1816?), "it appears that in sixty-six years from 1688 to 1754, that number was 123; in the sixty-nine[k] years from 1754 to 1813 it was 3,315.— The progress of cultivation was then about

twenty-five times more rapid during the last period than the former. But during the first sixty-six years more and more corn was grown continually for exportation; whereas, during the greater part of the last sixty-nine years, we not only consumed all that we had formerly sent abroad, but likewise imported an increasing, and at last a very large quantity, for our own consumption ... the increase of population in the former period, as compared with the latter, was still slower than the progress of cultivation might appear to indicate" (l. c., pp. 11–12).

> "In the year 1688, the population of England and Wales was computed by Gregory King, from the number of houses, at five millions and a half." The population in "1780 is put down by Mr. Malthus at 7,700,000. In ninety-two years then it had increased 2,200,000—in the succeeding thirty years it increased something more than 2,700,000. But of the first increase [...] there is every probability, that the far greater part took place from 1750 to 1780" (l. c., p. 13).

Barton calculates from good sources that

> "the number of inhabitants in 1750" [was] "5,946,000, making an increase since the revolution of 446,000, or 7,200 per annum" (l.c., p. 14).

> "At the lowest estimate then [...] the progress of population of late years has been ten times more rapid than a century ago. Yet it is impossible to believe, that the accumulation of capital has been ten times greater" (l. c., p. 14).

It is not a question of how great a quantity of means of subsistence is produced annually, but how large a portion of living labour enters into the annual production of fixed and circulating capital. This determines the size of the variable capital in relation to constant.

Barton explains the remarkable increase in population which took place almost all over Europe during the last

50 to 60 years, from the increased productivity of the American mines, since this abundance of precious metals raised commodity prices more than wages, thus in fact, lowering the latter and causing the rate of profit to rise (l.c., pp. 29–35). |XIII-752||

Footnotes

[a] In the manuscript: “and”.—*Ed.*

[b] In the manuscript: “they will be able” instead of “they can”.—*Ed.*

[c] In the manuscript: “different.”—Ed.

[d] In the manuscript: “on”, instead of: “in the support of ”.—*Ed.*

* He means “wages”.

[e] In the manuscript: “geometrical”.—*Ed.*

[f] In the manuscript: “A machine”.—Ed.

[g] In the manuscript: “given”.—Ed.

[h] In the manuscript: “manufacturers”.—Ed.

[i] Marx gives this part of the quotation in his own words, summarising the idea expressed by Barton.—Ed.

[j] In the manuscript: “been”.—Ed.

[k] Although Barton says 69 years in fact the period from 1754 to 1813 comprises only 59 years.—Ed.

Addenda

[1. Early Formulation of the Thesis That the Supply of Agricultural Products Always Corresponds to Demand. Rodbertus and the Practicians among the Economists of the Eighteenth Century]

||XII-580b| The proposition that corn produces its own demand etc.[a] "casually" advanced by Adam Smith, later repeated by *Malthus* with considerable pomposity in his theory of rent and partly used as the basis of his theory of population, is very *concisely* expressed in the following passage:

> "Corn [...] is scarce or not scarce in proportion to the consumption of it. If there are *more m o u t h s*, there will be *more corn*, because there will be *more hands* to till the earth; and if there is *more* corn, there will be more mouths, because *plenty* will bring *people*..." ([John Arbuthnot], *An Inquiry into the Connection Between the Present Price of Provisions, and the Size of Farms*, etc. *By a Farmer*, London, 1773, p. 125).

Hence

> "the culture of the earth cannot be over-done" (l.c., p. 62).

Rodbertus's fantasy that *seeds* etc. do not enter as an item of capital (into the farmer's calculations],[b] is refuted by the hundreds of treatises, some written by farmers themselves, that appeared in the eighteenth century (particularly since the 60s of that century). But on the contrary, it would be correct to say that *rent* is an item of expenditure for the farmer. He[c] reckons rent among the *costs of production* (and it does belong to his costs of production).

> "If ... the *price of corn* is nearly what it ought to be, which can only be determined by the proportion that the *value of land* bears to the *value of money*" (l.c., p. 132).

As soon as capital takes possession of agriculture, the farming-capitalist himself regards rent only as a deduction from profit and the whole of surplus-value is for him essentially profit:

> "The old method of calculating the *profits* of the farmer [was] by the *three rents*" (the métayage system). "*In the infancy of agriculture*, it was a conscientious and equal partition of property; such as is now practised in the less enlightened parts of the world ... the one finds land and capital, the other knowledge and labour: but on a well-cultivated and good soil, the rent is now the least object: it is the *sum which a man can sink in stock*, and *in the annual expense of his labour*, on which be is to reckon the interest of his money, or income" (l.c., p. 34). |XII-580b||

[2. Nathaniel Forster on the Hostility Between Landowners and Traders]

||XIII-670a| "The *landed* and *trading interests* are eternally jarring, and jealous of each other's advantages"

([Nathaniel Forster], *An Enquiry into the Causes of the Present High Price of Provisions*, London, 1767, p. 22, note). |XIII-670a||

[3. Hopkins's Views on the Relationship Between Rent and Profit]

||XIII-669b| Hopkins (passage to be looked up)[d] naively [describes] *rent of land* as the original form of surplus-value, and profit as derived from this.

He writes:

> "When the...producers were both agriculturists and manufacturers, the landowner received, as *rent of land, a* value of £ 10. Suppose this rent to have been paid one half in raw produce, and the other half in manufactures;— on the *division* of the producers into the two classes of agriculturists and manufacturers" this could be continued. "In practice, however, it would be found more convenient for the cultivators of the land, to *pay the rent*, and to charge it on their produce, when exchanging it against the produce of the labour of the manufacturers; so as to divide the payment into equitable proportions between the two classes, and to leave wages and profits equal in each department" (Thomas Hopkins, *Economical Enquiries relative to the Laws which Regulate Rent, Profit, etc.* London, 1822, p. 26). |XIII-669b||

[4. Carey, Malthus and James Deacon Hume on Improvements in Agriculture]

||XI-490a| "It will be observed that we consider the owner and farmer always as *one and the same person*... Such it is in the United States." (H. C. Carey, *The Past, the Present, and the Future*, Philadelphia, 1848, p. 97, note).

"Man [...] is always going from a poor soil to better, and then returning on his footsteps to the original poor one, and turning up the marl or the lime; and so on, in continuous succession ... and [...] at each step in this course, he is making a better machine[e] ... (l.c., pp. 128-29). "Capital may be invested in agriculture with *more* advantage than in *engines*, because the last are *only of equal*, whereas the other is of *superior*, power" (l.c., p. 129). "The gain from a steam-engine[f]" (which transforms the wool into cloth, etc.) "is the wages of [...] labour, *minus* the loss by deterioration of the machine. Labour applied to fashioning the earth produces wages, plus the gain by improvement of the machine" (l.c., p. 129). Hence "a piece of land that yields £ 100 per annum will sell" dearer than a steam-engine which produces just as much per annum (l.c., p. 130). "The buyer of the first knows that it will pay his wages and interest, plus the increase of its value by use. The buyer of the other knows it will give him wages and interest, minus the diminution in its value by use [...] The one buys a machine that improves by use. The other, one that deteriorates with use [...] The one is a machine upon which new capital and labour may be expended with constantly increasing return; while upon the other no such expenditure can be made" (l.c., p. 131).

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Even those improvements in agriculture which bring about reduced costs of production and eventually a fall in prices, but which first—so long as prices have not yet fallen—[call forth] a temporary rise of agricultural *profit*, almost never fail,

> *to increase rent ultimately. The increased capital*, which is employed in consequence of the opportunity of making great temporary profits, *can seldom or ever be entirely removed from the land, at the expiration of the current leases;* and, *on the renewal of these leases*, the landlord feels the benefit of it in *the increase of his rents*" (Thomas Robert Malthus, *An Inquiry into the Nature and Progress of Rent*, London, 1815, p. 26).

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> "If until the prevalence of the late high prices, arable land in general bore but *little rent*, chiefly by reason of the *acknowledged necessity of frequent fallows;* the rents must be again reduced, to admit of a return to the same system" (James Deacon Hume, *Thoughts on the Corn-Laws*, London, 1815, p. 72). |XI-490a||

[5. Hodgskin and Anderson on the Growth of Productivity in Agricultural Labour]

> ||XIII-670a| "A diminishing surface suffices to supply man with food as population multiplies" ([Thomas] Hodgskin (anonymously), *The Natural and Artificial Right of Property Contrasted…*, London, 1832, p. 69).

Similar ideas were expressed by *Anderson* even earlier.[g] |XIII-670a||

[6. Decrease in the Rate of Profit]

||XIII-670a| Calculated on the total capital the [rate of] profit of the larger capital, which employs more constant capital (machinery, raw material) and relatively less living labour, will be lower than that of the smaller [amount of] profit yielded by the smaller capital employing more living labour in proportion to the total capital. The [relative] decrease in variable capital and the relative increase in constant capital, although both parts are growing, is only another *expression for the increased productivity of labour*. |XIII-670a||

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[a] See this volume, p. 354 et seqq.—Ed.

[b] See this volume, pp. 45-55.—Ed.

[c] Arbuthnot, the author of the anonymous pamphlet.—Ed.

[d] See this volume, p. 55 and Note 20.—Ed.

[e] The reference is to the land which has been worked and improved.—Ed.

[f] Carey wrote: “from its use”.—Ed.

[g] See this volume, pp. 144-45.—Ed.

[Chapter XIX] Thomas Robert Malthus

||XIII-753| The writings of Malthus which have to be considered here are:

1) *The Measure of Value Stated and Illustrated etc.*, London, 1823.

2) *Definitions in Political Economy etc.*, London, 1827 (as well as the same work published by *John Cazenove* in London in 1853 with Cazenove's "Notes and Supplementary Remarks").

3) *Principles of Political Economy etc.*, second ed., London, 1836 (first [edition] 1820 or thereabout, to be looked up).

4) Also to be taken into consideration the following work by a Malthusian (i.e., a Malthusian in contrast to the Ricardians)—*Outlines of Political Economy etc.*, London, 1832.

[1. Malthus's Confusion of the Categories Commodity and Capital]

In his *Observations on the Effects of the Corn Laws etc.* (1814) Malthus still says the following about Adam Smith:

> "Adam Smith[a] was evidently led into this train of argument from his habit of

> considering *labour*" (that is, the value of labour) "as *the standard measure of value* and corn as the measure of labour... And that[b] neither labour nor any other commodity can be an accurate measure of real value in exchange, is now considered as one of the most incontrovertible doctrines of political economy; and indeed follows, [...] from the very definition of value in exchange" [pp. 11-12].

But in his *Principles of Political Economy* (1820), Malthus borrows this "standard measure of value" from Smith to use it against Ricardo, though Smith himself never used it when he was really analysing his subject matter. Malthus himself, in his book on the *Corn Laws* already referred to, adopted Smith's other definition concerning the determination of value by the quantity of capital (accumulated labour) and (immediate) labour necessary for the production of an article.

One cannot fail to recognise that both Malthus's *Principles* and the two other works mentioned, which were intended to amplify certain aspects of the *Principles*, were largely inspired by envy at the success of Ricardo's book and were an attempt by Malthus to regain the leading position which he had attained by skilful plagiarism before Ricardo's book appeared. In addition, Ricardo's definition of value, though somewhat abstract in its presentation, was directed against the interests of the landlords and their retainers, which Malthus represented even more directly than those of the industrial bourgeoisie. At the same time, it cannot be denied that Malthus presented a certain theoretical, speculative interest. Nevertheless his opposition to Ricardo—and the form this opposition assumed—was possible only because Ricardo had got entangled in all kinds of inconsistencies.

The points of departure for Malthus's attack are, on the one hand, the origin of surplus-value and [on the other]

the way in which Ricardo conceives the equalisation of cost-prices in different spheres of the employment of capital as a modification of the law of value itself [as well as] his continual confusion of profit with surplus-value (direct identification of one with the other). Malthus does not unravel these contradictions and *quid pro quos* but accepts them from Ricardo in order to be able to overthrow the Ricardian law of value, etc., by using this confusion and to draw conclusions acceptable to his protectors.

The real contribution made by Malthus in his three books is that he places the main emphasis on the *unequal* exchange between capital and wage-labour, whereas Ricardo does not actually explain how the exchange of commodities according to the law of value (according to the labour-time embodied in the commodities) gives rise to the unequal exchange between capital and living labour, between a definite amount of accumulated labour and a definite amount of immediate labour, and therefore in fact leaves the origin of surplus-value obscure (since he makes capital exchange immediately for labour and not for labour power). ||754| *Cazenove*, one of the few later disciples of Malthus, realises this and says in his preface to *Definitions etc.*, mentioned above:

> *Interchange of commodities* and *Distribution* (wages, rent and profit) must be kept distinct from each other ... the Laws of Distribution are not altogether dependent upon those relating to Interchange[c] ([T. R. Malthus, *Definitions in Political Economy*, ed. by John Cazenove, London, 1853,] Preface, pp. *vi* and *vii*).

Here this can only mean that the relation of wages to profit, the exchange of capital and wage-labour, of accumulated labour and immediate labour, do not *directly* coincide with the law of the interchange of commodities.

If one considers the *utilisation* of money or commodities as capital—that is, not their value but their capitalist *utilisation*— it is clear that *surplus-value* is nothing but the surplus of labour (the unpaid labour) which is commanded by capital, i.e., which the commodity or money commands over and above the quantity of labour it itself contains. In addition to the quantity of labour it itself contains (equal to the sum of labour contained in the elements of production of which it is made up, plus the immediate labour which is added to them), it buys a surplus of labour which it does not itself embody. This surplus constitutes the surplus-value; its size determines the rate of expansion of capital. And this surplus quantity of living labour for which it is exchanged is the source of profit. Profit (or rather surplus-value) does not result from the exchange of an amount of materialised labour for an equivalent amount of living labour, but from the portion of living labour which is appropriated in this exchange without an equivalent payment in return, that is, from unpaid labour which capital appropriates in this pseudo-exchange. If one disregards how this process is mediated—and Malthus is all the more justified in disregarding it as the intermediate link is not mentioned by Ricardo—if one considers only the factual content and the result of this process, then production of surplus-value, profit, transformation of money or commodities into capital, arises not from the fact that commodities are exchanged according to the law of value, namely, in proportion to the amount of labour-time which they cost, but rather conversely, from the fact that commodities or money (i.e., materialised labour) are exchanged for *more* living labour than is embodied or worked up in them.

Malthus's sole contribution in the books mentioned is the emphasis he places on this point, which emerges all the less sharply in Ricardo as Ricardo always presupposes the finished product which is divided between the

capitalist and the worker without considering exchange, the intermediate process which leads to this division. However, this contribution is cancelled out by the fact that he confuses the *utilisation* of money or the commodity as capital, and hence its *value* in the specific function of capital, with the *value of the commodity* as such; consequently he falls back in his exposition, as we shall see, on the fatuous conceptions of the Monetary System, on profit upon expropriation, and gets completely entangled in the most hopeless confusion. Thus Malthus, instead of advancing beyond Ricardo, seeks to drag political economy back to where it was before Ricardo, even to where it was before Adam Smith and the Physiocrats.

> "...in the same country, and at the same time, the exchangeable value of those commodities which can be resolved into labour and profits alone, would be accurately measured by the quantity of labour which would result from adding to the accumulated and immediate labour actually worked up in them the[d] varying amount of the profits on all the advances estimated in labour. But this must necessarily be the same as the quantity of labour which they will command" ([T. R. Malthus,] *The Measure of Value Stated and Illustrated*, London, 1823, pp. 15-16).

> "... the labour which a commodity would command"[e] [is] "a standard measure of value" (op. cit., p. 61).

> "... I had nowhere seen it stated" (that is, before his own book *The Measure of Value* appeared), "that the ordinary *quantity of labour* which a commodity will command must represent and measure *the quantity of labour worked up in it*, with the addition of profits" ([T. R. Malthus,] *Definitions in Political Economy etc.*, London, 1827, p. 196).

Mr. Malthus wants to include "profit" directly in the definition of *value*, so that it follows immediately from

this definition, which is not the case with Ricardo. This shows that he felt where the difficulty lay.

Besides, it is particularly absurd that he declares the *value* of *the commodity* and its *realisation* as capital to be identical. When commodities or money (in brief, materialised labour) are exchanged as capital against living labour, they are always exchanged against a ||755| greater quantity of labour than they contain. And if one compares the commodity before this exchange on the one hand, with the product resulting from this exchange with living labour on the other, one finds that the commodity has been exchanged for its own value (equivalent) plus a surplus over and above its own value—the surplus-value. But it is therefore absurd to say that the value of a commodity is equal to its value plus a surplus over and above this value. If the commodity, as a commodity, is exchanged for other commodities and not as capital against living labour, then, insofar as it is exchanged for an equivalent, it is exchanged for the same quantity of materialised labour as is embodied in it.

The only notable thing is therefore that according to Malthus the profit exists already in the value of the commodity and that it is clear to him that the commodity always commands more labour than it embodies.

> "...it is precisely because the labour which a commodity will ordinarily command measures the labour actually worked up in it with the addition of profits, that it is justifiable to consider it" (labour) "as a measure of value. If then *the ordinary value of a commodity* be considered as determined by *the natural and necessary conditions of its supply*, it is certain that the labour which it will ordinarily command is alone the measure of these conditions"([T. R. Malthus,] *Definitions in Political Economy*, London, 1827, p. 214).
>
> "*Elementary costs of Production*. An expression exactly equivalent to the conditions

[...] of the supply" (*Definitions in Political Economy*, ed. by John Cazenove, London, 1853, p.14).

"*Measure of the Conditions of* [...] *the Supply* [...]. The quantity of labour for which the commodity will exchange, when it is in its natural and ordinary state" (loc. cit., p. 14).

"... the quantity of labour which a commodity commands represents exactly the quantity of labour worked up in it, with the profits upon the advances, and does therefore really represent and measure those natural and necessary conditions of the supply, those elementary costs of production which determine value..." (op. cit., p. 125).

"... the demand for a commodity, though not proportioned to the *quantity* of any other commodity which the purchaser is willing and able to give for it, is really proportioned to the *quantity of labour* which he will give for it; and for this reason: the *quantity of labour which a commodity will ordinarily command*, represents exactly the effectual demand for it; because it represents exactly *that quantity of labour and profits united necessary to effect its supply;* while the *actual* quantity of labour which a commodity will command when it differs from the *ordinary* quantity, represents the excess or defect of demand arising from temporary causes" (op. cit., p. 135).

Malthus is right in this also. The conditions of *supply*, i.e., of the production or rather the reproduction of a commodity on the basis of capitalist production, are that it or its value (the money into which it is transformed) is exchanged in the process of its production or reproduction for more labour than is embodied in it, for it is only produced in order to realise a profit.

For example, a cotton manufacturer sells his calico. The condition for the supply of new calico is that he exchanges the money—the exchange-value of the calico—for more labour in the process of the reproduction

of the calico than was embodied in it or than is represented by the money. For the cotton manufacturer produces calico as a capitalist. What he wants to produce is not calico, but profit. The production of calico is only a means for the production of profit. But what follows from this? The calico he produces contains more labour-time, more labour than was contained in the calico advanced. This surplus labour-time, this surplus-value, is also represented by a surplus product, i.e., *more* calico than was exchanged for labour. Therefore one part of the product does not replace the calico exchanged for labour, but constitutes surplus product which belongs to the manufacturer. Or, if we consider the whole product, each yard of calico contains an aliquot part, or its value contains an aliquot part, for which no equivalent is paid; this represents *unpaid* labour. If the manufacturer sells a yard of calico at its value, that is, if he exchanges it for money or for commodities which contain an equal amount of labour-time, he realises a sum of money, or receives a quantity of commodities which cost him nothing. For he sells the calico not for the labour-time for which he has paid, but for the labour-time embodied in the calico, and he did not pay for part of this labour-time. ||756| He receives, for example, labour-time equal to 12 shillings, but he only paid 8 shillings of this amount. When he sells it at its value, he sells it for 12 shillings, and thus gains 4 shillings.

[2. Malthus's Vulgarised View of Surplus-Value]

As far as the buyer is concerned, the assumption is that, under all circumstances, he pays *nothing but* the value of the calico. This means that he gives a sum of money which contains as much labour-time [as] there is in the calico. Three cases are possible. The buyer is a capitalist. The money (i.e., the value of the commodity)

with which he pays, also contains a portion of unpaid labour. Thus, if one person sells unpaid labour, the other person buys with unpaid labour. Both realise unpaid labour—One as seller, the other as buyer. Or, the buyer is an independent producer. In this case he receives equivalent for equivalent. Whether the labour which the seller sells him in the shape of commodities is paid for or not, does not concern him. He receives as much materialised labour as he gives. Or, finally, he is a wage-worker. In this case also, like every other buyer—provided the commodities are sold at their value—he receives an equivalent for his money in the shape of commodities. He receives as much materialised labour in commodities as he gives in money. But for the money which constitutes his wages he has given more labour than is embodied in the money. He has replaced the labour contained in it along with surplus labour which he gives gratis. He paid for the money above its value, and therefore also pays for the equivalent of the money, the calico, etc., above its value. The cost for him as purchaser is thus greater than it is for the seller of any commodity although he receives an equivalent of the money in the commodity; but in the money he did not receive an equivalent of his labour; on the contrary, he gave more than the equivalent in labour. Thus the worker is the only one who pays for all commodities above their value even when he buys them at their value, because he buys money, the universal equivalent, above its value for labour. Consequently, no gain accrues to those who sell commodities to the worker. The worker does not pay the seller any more than any other buyer, he pays the value of labour. In fact, the capitalist who sells the commodity produced by the worker back to him, realises a profit on this sale, but only the same profit as he realises on every other buyer. His profit—as far as this worker is concerned—arises not from his having sold the worker the commodity *above* its value, but from his having

previously bought it from the worker, as a matter of fact in the production process, *below* its value.

Now Mr. Malthus, who transformed the utilisation of commodities as capital into the value of commodities, quite consistently transforms all buyers into wage-workers, in other words he makes them all exchange with the capitalist not commodities, but immediate labour, and makes them all give back to the capitalist more labour than the commodities *contain*, while conversely, the capitalist's profit results from *selling all* the labour contained in the commodities when he has *paid* for only a portion of the labour contained in them. Therefore, whereas the difficulty with Ricardo [arises from] the fact that the law of commodity exchange does not directly explain the exchange between capital and wage-labour, but rather seems to contradict it, Malthus solves the difficulty by transforming the purchase (exchange) of commodities into an exchange between capital and wage-labour. What Malthus does not understand is the difference between the total sum of labour contained in a particular commodity and the sum of paid labour which is contained in it. It is precisely this difference which constitutes the source of profit. Further, Malthus inevitably arrives at the point of deriving profit from the fact that the seller sells his commodity not only *above* the amount it costs *him* (and the capitalist does this), but above what *it costs;* he thus reverts to the vulgarised conception of profit upon expropriation and derives surplus-value from the fact that the seller sells the commodity *above* its value (i.e., for more labour-time than is contained in it). What he thus gains as a seller of a commodity, he loses as a buyer of another and it is absolutely impossible to discover what profit is to be made in reality from such a general nominal price increase. ||757| It is in particular difficult to understand how society as a whole can enrich itself in this way, how a

real surplus-value or surplus product can thus arise. An absurd, stupid idea.

Relying on some propositions of Adam Smith—who, as we have seen, naïvely expresses all sorts of contradictory elements and thus becomes the source, the starting-point, of diametrically opposed conceptions—Mr. Malthus attempts in a confused way, though on the basis of a correct surmise, and of the realisation of the existence of an unsolved difficulty, to counterpose a new theory to that of Ricardo and thus to maintain a "front rank" position. The transition from this attempt to the nonsensical, vulgarised conceptions proceeds in the following way.

If we consider the utilisation of a commodity as capital—that is, in its exchange for living, productive labour—we see that it commands—besides the labour-time it itself contains, i.e., besides the equivalent reproduced by the worker—surplus labour-time, which is the source of profit. Now if we transfer this *utilisation of the commodity* to its *value*, then each purchaser of a commodity must act as if he were a worker, that is, in buying it, besides the quantity of labour contained in the commodity, he must give for it a surplus quantity of labour. But since other purchasers, *apart from the workers*, are *not* related to commodities as workers <even when the worker appears as a mere purchaser, the old, original difference persists indirectly, as we have seen>, it must be assumed that although they do not directly give more labour than is contained in the commodities, they give a value which contains more labour, and this amounts to the same thing. It is by means of this [quantity] of "surplus labour, or, what amounts to the same thing, the value of more labour", that the transition is made. In fact, it comes to this: the value of a commodity consists of the value paid for it by the purchaser, and this value is equal to the equivalent (the value) of the commodity plus a surplus over and

above this value, surplus-value. Thus we have the vulgarised view that profit consists in a commodity being *sold more dearly than it was bought*. The purchaser buys it for more labour or for more materialised labour than it costs the seller.

But if the purchaser is himself a capitalist, a seller of commodities, and his money, his means of purchase, represents only goods which have been sold, then it follows that both have sold their goods too dearly and are consequently swindling each other, moreover they are swindling each other to the same extent, provided they both merely secure the average rate of profit. Where are the buyers to come from who will pay the capitalist the quantity of labour equal to that contained in his commodity plus his profit? For example, the commodity costs the seller 10 shillings. He sells it for 12 shillings. He thus commands labour not to the value of 10s. only, but of 2s. more. But the buyer also sells his commodity, which cost l0s., for 12s. So that each loses as a buyer what he gained as a seller. The only exception is the working class. For since the price of the product is increased beyond its cost, they can only buy back a part of that product, and thus another part of the product, or the price of another part of the product, constitutes profit for the capitalist. But as profit arises precisely from the fact that the workers can only buy back part of the product, the capitalist (the capitalist class) can never realise his profit as a result of demand from the workers, he cannot realise it by exchanging the whole product against the workers' wage, but rather by exchanging *the whole* of the workers' wage against only part of the product. Additional demand and additional buyers apart from the workers themselves are therefore necessary, otherwise there could not be any profit. Where do they come from? If they themselves are capitalists, sellers, then the mutual swindling within the capitalist class mentioned earlier occurs, since they mutually raise the nominal prices of

their commodities and each gains as a seller what he loses as a buyer. What is *required* therefore are *buyers who are not sellers*, so that the capitalist can realise his profit and sell his commodities "at their value". Hence the necessity for landlords, pensioners, sinecurists, priests, etc., not to forget their menial servants and retainers. How these "purchasers" come into possession of their means of purchase ||758| , how they must first take part of the product from the capitalists without giving any equivalent in order to buy back less than an equivalent with the means thus obtained, Mr. Malthus does not explain. At any rate, what follows from this is his plea for the greatest possible increase in the unproductive classes in order that the sellers may find a market, a demand for the goods they supply. And so it turns out further that the author of the pamphlet on population preaches continuous over-consumption and the maximum possible appropriation of the annual product by idlers, as a condition of production. In addition to the plea arising inevitably out of this theory, comes the argument that capital represents the *drive for abstract wealth, the drive to expand its value*, which can only be put into effect by means of a class of buyers representing the *drive to spend, to consume, to squander*, namely, the unproductive classes, who are buyers without being sellers.

[3. The Row Between the Supporters of Malthus and Ricardo in the Twenties of the 19th Century. Common Features in Their Attitude to the Working Class]

There developed on this basis a fine old row between the Malthusians and the Ricardians in the 20s (from 1820 to 1830 was in general the great metaphysical period in English political economy). Like the Malthusians, the Ricardians deem it necessary that the worker should not himself appropriate his product, but that part of it should go to the capitalist, in order that the worker should have an *incentive for production*, and that the development of wealth should thus be ensured. But they rage against the view of the Malthusians that landlords, state and church sinecurists and a whole lot of idle retainers must first lay hold—without any equivalent—of a part of the capitalist's product (just as the capitalist does in respect of the workers) therewith to buy their own goods from the capitalist with a profit for the latter, although this is exactly what the Ricardians affirm with regard to the workers. In order that accumulation may increase and with it the demand for labour, the worker must relinquish as much of his product as possible gratis to the capitalist, so that the latter can transform the net revenue, which has been increased in this way, back again into capital. The same sort [of argument is used by] the Malthusians. As much as possible should be taken away gratis from the industrial capitalists in the form of rent, taxes, etc., to enable them to sell what remains to their involuntary "shareholders" at a profit. The worker must not be allowed to appropriate his own product, otherwise he would lose the incentive to work, say the Ricardians along with the Malthusians. The industrial capitalist [the Malthusians say] must relinquish a portion of his product to the classes which only consume—*fruges consumere nati*[f]—in order that these in turn may exchange it again, on unfavourable terms, with the capitalist. Otherwise the capitalist would lose the incentive for production, which consists precisely in the fact that he makes a big profit, that he sells his goods far above their value. We shall return to this comic struggle later.

[4. Malthus's One-sided Interpretation of Smith's Theory of Value. His Use of Smith's Mistaken Theses in His Polemic Against Ricardo]

First of all, some evidence showing that Malthus arrives at a very common conception:

> "Whatever may be the number of intermediate acts of barter which may take place in regard to commodities—whether the producers send them to China, or sell them in the place where they are produced: the question as to an adequate market for them, depends exclusively upon *whether the producers can replace their capitals with ordinary profits*, so as to enable them successfully to go on with their business. *But what are their capitals?* They are, as Adam Smith states, the tools to work with, the materials to work upon, and the means of commanding the necessary quantity of labour" [*Definitions in Political Economy*, ed. by Cazenove, London, 1853, p. 70].

(And this, he affirms, is all the labour worked up in the commodity. Profit is a *surplus* over and above the labour expended in the production of the commodity. In fact, therefore, a nominal surcharge over and above the cost of the commodity.) And in order that there may remain no doubt about his meaning, he quotes Colonel Torrens's *On the Production of Wealth* (Chap. VI, p. 349) approvingly as confirming his own views:

> "... effectual demand consists in the power and inclination, on *the part of consumers*" <the antithesis of buyers and sellers becomes that of consumers and producers>, ||759| "to

> give for commodities, either by immediate or circuitous barter, some greater proportion of all ingredients of capital than their production costs" ([R. Torrens, *An Essay on the Production of Wealth*... London, 1821, p. 349, quoted by T. R. Malthus:] loc. cit., pp. 70-71).

And Mr. Cazenove himself, the publisher of, apologist for and commentator on the Malthusian *Definitions*, says:

> "Profit does not depend on the *proportion in which commodities are exchanged with each other*"

<for if commodity exchange between capitalists alone were taken into account, the Malthusian theory, insofar as it does not speak of exchange with workers, who have *no* other commodity apart from their labour to exchange with the capitalist, would appear nonsensical [since profit would be] merely a reciprocal surcharge, a nominal surcharge on the prices of their commodities. Commodity exchange must therefore be disregarded and people who produce *no* commodities must exchange money>

> "... (seeing that the same proportion may be maintained under every variety of profit) *but upon the proportion which goes to wages*, or is required to cover the prime cost, and which is in all cases determined by the degree in which the *sacrifice made by the purchaser* (or the *labour's worth which he gives*) in order to acquire a commodity, *exceeds that made by the producer, in order to bring it to market*" (op. cit., p. 46).

In order to achieve these wonderful results, Malthus has to make some very great theoretical preparations. First of all, seizing on that side of Adam Smith's theory according to which the value of a commodity is equal to the quantity of labour which it commands, or by which it is commanded, or against which it exchanges, he must

cast aside all the objections raised by Adam Smith himself, by his followers and also by Malthus, to the effect that the *value* of a commodity—value [in general]— can be the measure of value.

The Measure of Value Stated and Illustrated (London, 1823) is a real example of feeble-minded thought, which winds its way in a casuistical and self-stupefying manner through its own inner confusion, and whose difficult, clumsy style leaves the unprejudiced and incompetent reader with the impression that the difficulty of making sense out of the confusion does not lie in the contradiction between confusion and clarity, but in a lack of understanding on the part of the reader.

Malthus has first of all to obliterate Ricardo's differentiation between "value of labour" and "quantity of labour" and to reduce Smith's juxtaposition of the two to the one false aspect.

> "... any given *quantity of labour* must be *of the same value as the wages* which command it, or for which it actually exchanges" (*The Measure of Value Stated and Illustrated*, London, 1823, p. 5).

The purpose of this phrase is to equate the expressions "*quantity of labour*" and "*value of labour*".

This phrase itself is a mere tautology, an absurd truism. Since *wages* or that "for which it" (i.e., a quantity of labour) "exchanges" constitute *the value* of this quantity of labour, it is tautologous to say: *the value* of a certain quantity of labour is equal to *the wages* or to the amount of money or commodities for which this labour exchanges. In other words, this means nothing more than: the exchange-value of a definite quantity of labour is equal to its exchange-value—otherwise called wages. But (apart from the fact that it is not labour, but labour-power, which exchanges directly for wages; it is

this confusion that makes the nonsense possible) it by no means follows from this that a definite quantity of labour is equal to the quantity of labour embodied in the wages, or in the money or the goods which represent the wages. If a labourer works for 12 hours and receives the product of 6 hours labour as wages, then the product of the 6 hours constitutes the *value* of 12 hours labour (because the wages [represent] the exchangeable commodity for [12 hours labour]). It does not follow from this that 6 hours of labour are equal to 12 hours, or that the commodities in which 6 hours of labour are embodied [are] equal to the commodities in which 12 hours of labour are embodied. It does not follow that the value of wages is equal to the value of the product in which the labour is embodied. It follows only that the value of labour (because it is measured by the value of the labour-power, not by the labour carried out), the ||760| value of a given quantity of labour contains less labour than it buys; that, consequently, the *value of the commodities* in which this purchased labour is embodied, is very different from the value of the commodities with which this given quantity of labour was purchased, or by which it was commanded.

Mr. Malthus draws the opposite conclusion. Since the *value* of a given quantity of labour is equal to its value, it follows, according to him, that the value in which this quantity of labour is embodied is equal to the value of the wages. It follows further from this that the immediate labour (that is, disregarding the means of production) which is absorbed by and contained in a commodity, creates no greater value than that which is paid for it; [that it] only reproduces the value of the wages. The necessary consequence ensuing from this is that profit cannot be explained if the value of commodities is determined by the amount of labour embodied in them, but must rather be explained in some other way; provided the profit a commodity realises is to be included in the

value of that commodity. For the labour worked up in a commodity consists 1) of the labour contained in the machinery, etc., used, which consequently reappears in the value of the product; 2) of the labour contained in the raw material used up. The amount of labour contained in these two elements before the new commodity is produced is obviously not increased merely because they become production elements of a new commodity. There remains therefore 3), the labour embodied in the wages which is exchanged for living labour. However, according to Malthus, this latter is not greater than the materialised labour against which it is exchanged. Hence, a commodity contains no portion of unpaid labour but only labour which replaces an equivalent. Hence it follows that if the value of a commodity were determined by the amount of labour embodied in it, it would yield no profit. If it does yield a profit, then this profit is a *surplus* in the price over and above the labour embodied in the commodity. Therefore, in order to be sold at its value (which includes the profit), a commodity must command a quantity of labour equal to the quantity of labour worked up in itself plus a surplus of labour representing the profit realised in the sale of the commodity.

[5. Smith's Thesis of the Invariable Value of Labour as Interpreted by Malthus]

Moreover, in order to make *labour*, not the quantity of labour required for production, but labour as a commodity, serve as a measure of value, Malthus asserts

> "*...the constant value of labour(The measure of Value*, p.29, note).

<There is nothing original in this; it is a mere paraphrase and further elaboration of a passage of *Adam Smith's* (l. I, ch. V, [*Recherches sur la nature et les causes de la richesse des nations*,] éd. Garnier, t, I, [Paris, 1802,] pp. 65-66).

> "Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength, and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them. At all times and places, that is *dear* which it is difficult to come at, or which it costs much labour to acquire; and that *cheap* which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared."> [*Wealth of Nations*, Vol. I, p. 36.][g]

<Further, Malthus's discovery—of which he is very proud and which he claims he was the first to make—namely, that value is equal to the quantity of labour embodied in a commodity plus a quantity of labour which represents the profit; [this discovery] seems likewise to be quite simply a combination of two sentences from Smith. (Malthus never escapes plagiarism.)

> "The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour measures the value, not only of that part of the price which resolves itself into *labour*, but of that which resolves itself

into *rent*, and of that which resolves itself into *profit*" ([*Wealth of Nations*, O.U.P., p. 55; Garnier,] t. I, l. I, ch. VI, p. 100).>

||761| Malthus writes in this context:

> "In the former case of[h] the demand for labour, it appeared that the greater earnings of the labourer were occasioned,[i] not by a rise in the value of labour but by a fall in the value of the produce for which the labour was exchanged. And in the [...] case of an abundance of labour [...] the small earnings of the labourer were occasioned by a rise in the value of the produce, and not by a fall in the value of [...] labour" (*The Measure of Value*, [London, 1823,] p. 35) (cf. pp. 33-35).

Bailey ridicules most excellently Malthus's *proof* that *the value of labour* is constant (Malthus's further demonstration, not that of Smith; [and] in general the sentence [about] the invariable value of labour):

> "In the same way any article might be proved to be of invariable value; for instance, 10 yards of cloth. For whether we gave £5 or £10 for the 10 yards, the sum given would always be equal in value to the cloth for which it was paid, or, in other words, of invariable value in relation to cloth. But that which is given for a thing of invariable value, must itself be invariable, whence the 10 yards of cloth must be of invariable value ... it is just the same kind of futility to call wages invariable in value, because though variable in quantity they command the same portion of labour, as to call the *sum* given for a hat, of invariable value, because, although sometimes more and sometimes less, it always purchases the hat" ([Samuel Bailey,] *A Critical Dissertation on the Nature, Measures, and Causes of Value...* , London, 1825, pp. 145-47).

In the same work, Bailey bitingly derides the insipid, impressive-sounding tables with which Malthus "illustrates" his measure of value.

In his *Definitions in Political Economy* (London, 1827), in which Malthus gives full vent to his annoyance over Bailey's sarcasm, he seeks, amongst other things, to prove the *invariable value of labour*, as follows:

> "... there is one[j] large class of commodities, such as raw products, which in the progress of society tends to rise[k] as compared with labour [...] such as[l] manufactured articles, [...] fall; it may not be far from [...] truth to say, that [...] the average mass of commodities which a given quantity of labour will command in the same country, during the course of some centuries, may not very essentially vary" (*Definitions in Political Economy*... London, 1827, p. 206).

Malthus's proof that a rise in the money price of labour must lead to an all-round rise in the money price of commodities is of just the same quality as his proof of the invariable value of labour:

> "... if the money wages of labour universally rise, the value of money proportionally falls; and when the value of money falls ... the prices of goods always rise" (op. cit., p. 34).

It has to be proved that, when the value of money compared with labour falls, then the value of all commodities compared with money rises, or that the value of money, not estimated in labour, but in the other commodities, falls. And Malthus proves this by presupposing it.

[6. Malthus's Use of the Ricardian Theses of the

Modification of the Law of Value in His Struggle Against the Labour Theory of Value]

Malthus bases his polemic against Ricardo's definition of value entirely on the principles advanced by Ricardo himself, to the effect that variations[m] in the exchangeable values of commodities, independent of the labour worked up in them, are produced by the different composition of capital as resulting from the process of circulation—different proportions of circulating and fixed capital, different degrees of durability in the fixed capitals employed, different returns of circulating capitals. In short, on Ricardo's confusing cost-price with value and regarding the equalisation of cost-prices, which are independent of the mass of labour employed in the particular spheres of production, as modifications of value itself, thereby throwing the whole principle overboard. Malthus seizes on these contradictions in the determination of value by labour-time—contradictions that were first discovered and emphasised by Ricardo himself— not in order to solve them but in order to relapse into quite meaningless conceptions and to pass off the mere *formulation* of contradictory phenomena, their expression in speech, as their solution. We shall see the same method employed during the decline of the Ricardian school, i.e., by [James] Mill and McCulloch, who, in order to reason the contradictory phenomena out of existence, seek to bring them into direct conformity with the general law by gabble, by scholastic and absurd definitions and distinctions, with the result, by the way, that the foundation itself vanishes.

The passages in which Malthus uses the material provided by Ricardo against the law of value, and turns it against him, are the following:

> "It is observed by Adam Smith that corn is an annual crop, butchers' meat a crop which requires four or five years to grow; and consequently, if we compare two quantities of corn and beef which are of equal exchangeable value, it is certain that a difference of three or four additional years profit
>
> at fifteen per cent upon the capital employed in the production of the beef would, exclusively of any other considerations, make up in value for a much smaller quantity of labour, ||762| and thus we might have two commodities of the same exchangeable value, while the accumulated and immediate labour of the one was forty or fifty per cent less than that of the other. This is an event of daily occurrence in reference to a vast mass of the most important commodities in the country; and if profits were to fall from fifteen per cent to eight per cent, the value of beef compared with corn would fall above twenty per cent" (*The Measure of Value*, pp. 10-11).

Since capital consists of commodities, and a large proportion of the commodities which enter into it or constitute it have a price (or exchange-value in the ordinary sense) which consists neither of accumulated nor of immediate labour, but—insofar as we are discussing only this particular commodity—of a purely nominal increase in the value caused by the addition of the average profit, Malthus says:

> "... labour is not the only element worked up in capital" (*Definitions etc.*, ed. by John Cazenove, p. 29).
>
> "... what are the *costs of production?* ... the quantity of *labour in kind required to be worked up in the commodity*, and in the tools and materials consumed in its production *with such on additional quantity* as is equivalent to the ordinary profits upon the advances for the time that they have been advanced" (op. cit., pp. 74-75).

> "On the same grounds Mr. Mill is quite incorrect, in calling capital hoarded labour. It may, perhaps, be called *hoarded labour and profits;* but certainly not hoarded labour alone, unless we determine to call profits labour" (op. cit., pp. 60-61).

> "To say that the values of commodities are regulated or determined by the quantity of Labour and Capital necessary to produce them, is essentially false. To say that they are regulated *by the quantity of Labour and Profits* necessary to produce them, is essentially true" (op. cit., p. 129).

In this connection *Cazenove* adds a note on p. 130:

> "The expression Labour and Profits is liable to this objection, that the two are not correlative terms,—labour being an agent and profits a result; the one a cause, the other a consequence. On this account *Mr. Senior* has substituted for it the expression *Labour and Abstinence*... It must be acknowledged, indeed, that it is not the abstinence, but the *use* of the capital productively, which is the cause of profits" (according to Senior: "He who converts his revenue into capital, *abstains from the enjoyment* which its expenditure would afford him").

Marvellous explanation. The value of the commodity consists of the labour contained in it plus profit; [i.e.] of the labour contained in it and the labour not contained in it, but which must be paid for.

Malthus continues his polemic against Ricardo: Ricardo's "proposition, that as the value of wages rises profits proportionably fall, cannot be true, except[n] on the assumption that commodities, which have the same quantity of labour worked up in them, are always of the same value, an assumption which probably will not be found to be true[o] in one case out of five hundred; and [...] from that [...] necessary state of things, which,[p] in the progress of civilisation and

improvement, tends continually to increase the quantity of fixed capital employed, and to render more various and unequal the times of the returns of the circulating capital" (*Definitions etc.*, pp. 31-32).

(The same point is made on pp. 53-54 in Cazenove's edition where Malthus actually says:

> "...that[q] natural [...] state of things, falsifies Ricardo's measure of value because this state "... in the progress of civilisation and improvement, tends continually to increase the quantity of fixed capital employed, and to render more various and unequal the times of the returns of the circulating capital".)
>
> "Mr. Ricardo [...] himself admits of considerable exceptions to his rule; but if we examine the classes which come under his exceptions, that is, where the quantities of fixed capital employed are different and of different degrees of duration, and where the periods of the returns of the circulating capital employed are not the same, we shall find that they are so numerous, that the rule may be considered as the exception, and the exceptions the rule" (op. cit., p. 50).

[7. Malthus's Vulgarised Definition of Value. His View of Profit as Something Added to the Price. His Polemic Against Ricardo's Conception of the Relative Wages of Labour]

In accordance with what has been said above, Malthus also declared value to be:

> "The estimation in which a commodity is held, founded upon its *cost to the purchaser* or the *sacrifice* which he must make in order to acquire it, which sacrifice is measured by the *quantity of labour that he gives in exchange for it, or what comes to the some thing*, by *the labour* which it will command" (op. cit., pp. 8-9).

Cazenove also emphasises as a difference between Malthus and Ricardo:

> ||763| "Mr. Ricardo has, with Adam Smith, adopted labour as the true standard of cost; but he has applied it to *producing* cost only... it is equally applicable as a measure of *cost to the purchaser*..." (op. cit., pp. 56-57).

In other words: the value of a commodity is equal to the sum of money which the purchaser must pay, and this sum is best estimated in terms of the amount of ordinary labour which can be bought with it.* But what determines the sum of money is, naturally, not explained. It is the quite ordinary idea of the matter that is prevalent in everyday life. A mere triviality expressed in high-flown language. In other words, it means nothing more than that *cost-price* and *value* are identical, a confusion which, in the case of Adam Smith, and still more in the case of Ricardo, contradicts their real analysis, but which Malthus elevates into a law. It is the conception of value held by the philistine who, being a captive of competition, only knows the outward appearance of value. What then determines the cost-price? The capital outlay plus profit. And what determines profit? Where do the funds for the profit come from, where does the surplus product in which the surplus-value manifests itself come from? If it is simply a matter of a nominal increase of the money price, then nothing is easier than to increase the value of commodities. And what determines the value of the

capital outlay? The *value* of the labour contained in it, says Malthus. And what determines this? The *value* of the commodities on which the wages are spent. And the value of these commodities? The value of the labour plus profit. And so we keep going round and round in a circle. Granting that the worker is in fact paid the value of his labour, that is, that the commodities (or sum of money) which constitute his wages are equal to the value of the commodities (or sum of money) in which his labour is realised, so that if he receives 100 thaler in wages he also adds only 100 thaler of value to the raw material, etc.—in short, to the capital outlay—then profit can only arise from a surcharge added by the seller over and above the *real* value of the commodity. All sellers do this. Thus, insofar as capitalists engage in exchange amongst themselves, nobody gains from this surcharge, and least of all is a surplus fund thus produced from which they can draw their revenue. Only the capitalists whose commodities are consumed by the working class will make a real and not an imaginary profit, by selling commodities back again to the workers at a higher price than they paid the workers for them. The commodities for which they paid the workers 100 thaler will be sold back again to them for 110 thaler. That means that they will only sell $^{10}/_{11}$ of the product back to the workers and retain $^{1}/_{11}$ for themselves. But what else does that mean but that the worker who, for example, works for 11 hours, gets paid for only 10 hours; that he is given the product of only 10 hours, while the capitalist receives one hour or the product of one hour without giving any equivalent. And what does it mean but that profit—as far as the working class is concerned—is made by their working for the capitalists *for nothing* part of the time, that therefore "the *quantity* of labour" does not come to the same as "the value of labour". The other capitalists however would only he making an imaginary profit, since they would not have this expedient.

How little Malthus understood Ricardo's first propositions, how completely he failed to comprehend that a profit is possible in other ways than by means of a surcharge is shown conclusively by the following passage:

> "Allowing that the first commodities, if completed and brought into use immediately, might be the result of pure labour, and that their value would therefore be determined by the quantity of that labour; yet it is quite impossible that such commodities *should be employed as capital* to assist in the production of other commodities, *without the capitalist being deprived of the use of his advances for a certain period, and requiring a remuneration in the shape of profits*.

In the early periods of society, on account of the comparative scarcity of these advances of labour, this remuneration would be high, and would affect the value of such commodities to a considerable degree, owing to the high rate of profits. In the more advanced stages of society, the value of capital and commodities is largely affected by profits, on account of the greatly increased quantity of fixed capital employed, and the greater length of time for which much of the circulating capital is advanced before the capitalist is repaid by the returns. In *both cases*, the *rate at which commodities exchange with each other, is essentially affected by the varying amount of profits" (Definitions etc.*, ed. by Cazenove, p. 60).

The concept of *relative* wages is one of Ricardo's greatest contributions. It consists in this—that the *value of the wages* (and consequently of the *profit*) depends absolutely on the proportion of that part of the working-day during which the *worker works for himself* (producing or reproducing his wage) to that part of his time which belongs to the capitalist. This is important economically, in fact it is only another way of expressing the real theory of surplus-value. It is

important further in regard to the social relationship between the two ||764| classes. Malthus smells a rat and is therefore constrained to protest.

> "No writer that I have met with, anterior to Mr. Ricardo, ever used the term *wages*, or real wages, as implying *proportions*."

(Ricardo speaks of the *value* of wages, which is indeed also presented as the part of the product accruing to the worker.)

Profits, indeed, imply proportions; and the *rate of profits has always justly been estimated by a percentage upon the value of the advances*."

<What Malthus understands by *value of advances* is very hard, and for him even impossible, to say. According to him, the value of a commodity is equal to the advances contained in it plus profit. Since the advances, apart from the immediate labour, also consist of commodities, the value of the advances is equal to the advances in them plus profit. Profit thus equals profit upon the advances plus profit. And so on, *ad infinitum*.>

> "But wages had uniformly been considered as rising or falling, not according to any *proportion* which they might bear to the whole produce obtained by a certain quantity of labour, but by the greater or smaller quantity of any particular produce received by the labourer, or by the greater or smaller power which such produce would convey, of commanding the necessaries and conveniences of life" (*Definitions etc.*, London, 1827, pp. 29-30).

Since the production of *exchange-value—the* increase of exchange-value—is the immediate aim of capitalist production, it is important [to know] how to measure it. Since the value of the capital advanced is expressed in money (real money or money of account), the rate of

increase is measured by the amount of capital itself, and a capital (a sum of money) of a certain size—100—is taken as a standard.

> "Profits of stock,"[r] says Malthus, "... consist of the difference between the value of the capital advanced, and the value of the commodity when sold or used" (op. cit., pp. 240-41).

[8. Malthus on Productive Labour and Accumulation]

[a)] Productive and Unproductive Labour

> "... Revenue [...] is expended with a view to immediate support and enjoyment, and [...] capital [...] is expended with a view to profit" (op. cit., p. 86).

> A labourer and a menial servant are "two instruments [...] used for purposes distinctly different, one to assist in obtaining wealth, the other to assist in consuming it" (op. cit., p. 94).

The following is a good definition of the productive labourer.

> The productive labourer *directly "increases[s] his master's wealth" (Principles of Political Economy*, [second ed., London, 1836], p. 47, note).

In addition the following passage should be noted.

> "The only productive consumption, properly so called, is the consumption or[t] destruction of wealth by capitalists with a view to reproduction... The workman whom the capitalist employs certainly consumes that part of his wages which he does not save, as revenue, with a view to subsistence and enjoyment; and not as capital, with a view to production. *He is a productive consumer to the person who*

employs him and to the state, *but not, strictly speaking to himself" (Definitions*, ed. by Cazenove, p. 30).

[b)] Accumulation

"No political economist of the present day can by *saving* mean mere hoarding; and beyond this contracted and inefficient proceeding, no use of the term in reference to the national wealth can well be imagined, but that which must arise from a different application of what is saved, founded upon a real distinction between the different kinds of labour maintained by it" (*Principles of Political Economy*, [London, 1836,] pp. 38-39).

"*Accumulation of Capital.* The employment of a portion of revenue as capital. *Capital may therefore increase without an increase of stock or wealth*" (*Definitions*, ed. by Cazenove, p. 11).

"Prudential habits with regard to marriage carried to a considerable extent, among the labouring classes of a country mainly depending upon manufactures and commerce, *might injure it" (Principles of Political Economy*, [London, 1836,] p. 215).

This from the preacher of checks against over-population.

"It is the *want of necessaries* which mainly stimulates the labouring classes to produce luxuries; and were this stimulus removed or greatly weakened, so that the necessaries of life could be obtained with very little labour, instead of more time being devoted to the production of conveniences, there is every reason to think that less time would be so devoted" (op. cit., p. 334).

Most important for the exponent of the over-population theory, however, is this passage:

"... from the nature of a population, an increase of labourers cannot be brought into

> the market, in consequence of a particular demand, till after the lapse of sixteen or eighteen years, and the conversion of revenue into capital by saving, may take place much more rapidly; *a country is always liable* to *an increase in the quantity of the funds* for the maintenance of labour faster than the increase of population" (op. cit., pp. 319-20).

||765| *Cazenove* rightly remarks:

> "When capital is employed in *advancing to the workman his wages, it adds nothing to the funds for the maintenance of labour*, but simply consists in the application of a certain portion of [...] funds already in existence, to[u] the purposes of production" (*Definitions*, ed. by Cazenove, p. 22, note).

[9.] Constant and Variable Capital [According to Malthus]

> "*Accumulated labour*". (It should really be called materialised labour, objectified labour.) "The[v] labour worked up in the raw materials and tools applied to the production of other commodities" (op. cit., p. 13).

In speaking of the labour worked up in commodities "... the labour worked up in the capital necessary to their production were[w] designated by the term *accumulated labour*, as contra-distinguished from the *immediate labour employed by the last capitalist*" (op. cit., pp. 28-29).

It is indeed very important to make this distinction. In Malthus, however, it leads to nothing.

He does make an attempt to reduce the surplus-value or at least its rate (which, by the way, he always confuses with profit and rate of profit) to its relation to variable capital, that part of capital which is expended on *immediate labour*. This attempt, however, is childish and could not be otherwise in view of his conception of value. In his *Principles of Political Economy* [second ed,], he says:

> Supposing that the capital is expended only on wages, [if] "... a hundred pounds [is] expended in immediate labour, [...] the returns come in at the end of the year [...] £110, £120, or £130, it is evident that in each case the profits will be *determined by the proportion of the value of the whole produce which is required to pay the labour employed*. If the value of the produce in [the] market be £110, the proportion required to pay the labourers will be[x] $^{10}/_{11}$ of the value of the produce, and profits will be ten per cent. If the value of the produce be £120, the proportion required to pay the labour employed will bed $^{10}/_{12}$, and profits will be twenty per cent. If [...] £130, the proportion required to pay the labour advanced will be $^{10}/_{13}$, and profits will be thirty per cent." [*Principles of Political Economy*, London, 1836, p. 267.] Supposing that "... the advances of the capitalist do not consist of labour alone [...] *the capitalist* [...] *expects an equal profit upon all the parts of the capital which he advances*. Let us suppose that a certain portion of the value of his advances, one-fourth for instance, consists of the wages of immediate labour, and[y] three-fourths consist of accumulated labour and profits, with any additions which may arise from rents, taxes or[z] other outgoings [...] it will be[aa] strictly true that *the profits of the capitalist will vary with the varying value of this one-fourth of the[bb] produce compared with the quantity of labour employed* [...] a farmer[cc] employs in the cultivation [...]£2,000, £1,500 of which [...] in seed, keep of horses, wear and tear of his fixed capital, interest upon his fixed and circulating capitals, rents, tithes, taxes, etc. and

> £500 upon immediate labour, and [...] the returns [...] at the end of the year are worth[dd] £2,400 [...] the farmer's profit will be £400, or twenty per cent.[ee] And it is equally obvious that *if we took one-fourth of the value of the produce, namely £600, and compared it with the amount paid in the wages of immediate labour, the result would shew exactly the same rate of profits*" (loc. cit., pp. 267-68).

Here Malthus lapses into Lord Dundrearyism. What he wants to do (he has an inkling that surplus-value, hence profit, has a definite relation to variable capital, the portion of capital expended on wages) is to show that "profits" are "determined by the proportion of the value of the whole produce which is required to pay the labour employed" [loc. cit., p. 267]. He begins correctly insofar as he assumes that the whole of the capital consists of variable capital, capital expended on wages. In this case, profit and surplus-value are in fact identical. But even in this case he confines himself to a very silly reflection. If the capital expended equals 100 and the profit is 10 per cent, the value of the product is, accordingly, 110 and the profit is $^{1}/_{10}$ of the capital expended (hence 10 per cent if calculated on the capital), and $^{1}/_{11}$ of the value of the total product, in the value of which its own value is included. Thus profit constitutes $^{1}/_{11}$ of the value of the total product and the capital expended forms $^{10}/_{11}$ of this value. In relation to the total, 10 per cent profit can be so expressed that the part of the value of the total product which is not made up of profit amounts to $^{10}/_{11}$ of the total product; or, a product of 110 which includes 10 per cent profit consists of $^{10}/_{11}$ outlay, on which the profit is made. This brilliant mathematical effort amuses him so much that he repeats the same calculation using a profit of 20 per cent, 30 per cent, etc. But so far we have merely a tautology. The profit is a percentage on the capital expended, the value of the total Product includes the value of the profit and the capital expended ||766| is the value of the total product minus the value of the

profit. Thus 110-10=100. And 100 is $^{10}/_{11}$ of 110. But let us proceed.

Let us assume a capital consisting not merely of variable but also of constant capital. "... the capitalist [...] expects an equal profit upon all the parts of the capital which he advances." This however contradicts the proposition advanced above that profit (it should be called surplus-value) is determined by the proportion of the capital expended on wages. But never mind. Malthus is not the man to contradict either the "expectations" or the notions of "the capitalists". But now comes his *tour de force*. Assume a capital of £2,000, three-quarters of which, or £1,500, is constant capital, one-quarter, or £500, is variable capital. The profit amounts to 20 per cent. Thus the profit equals £400 and the value of the product is £2,000 plus £400 =£2,400. But what about Mr. Malthus's calculation? If one takes a quarter of the total product, it amounts to 600; a quarter of the capital expended is equal to 500, which is equal to the portion expended on wages; and 100, a quarter of the profit, which equals that part of the profit falling to this amount of wages. And this is supposed to prove that "the profits of the capitalist will vary with the varying value of this one-fourth of the[ff] produce compared with the quantity of labour employed". It proves nothing more than that a profit of a given percentage, e.g. of 20 per cent, on a given capital—say of £4,000— yields a profit of 20 per cent on each aliquot part of the capital, that is a tautology, But it proves absolutely nothing about a definite, *special*, distinguishing relationship of this profit to the part of the capital expended on wages. If, instead of [$^1/_4$] taken by Mr. Malthus, I take $^1/_{24}$ of the total product, i.e., 100 (out of 2,400), then this 100 contains 20 per cent profit, or $^1/_6$ of it is profit. The capital would be [£] 83 $^1/_3$ and the profit [£1 16 $^2/_3$. If the 83 $^1/_3$ were equal, for instance, to a horse which was employed in production, then it could be demonstrated according to Malthus's recipe that the

profit would vary with the varying value of the horse or the 28 $^{4}/_{5}$ part of the total product.

Such are the wretched things Mr. Malthus comes out with when he stands on his own feet and cannot plagiarise Townsend, Anderson or anyone else. What is really remarkable and pertinent (apart from what is characteristic of the man) is the inkling that surplus-value must be calculated on the part of capital expended on wages.

<Given a definite rate of profit, the *gross profit*, the amount of profit, always depends on the size of the capital advanced. Accumulation, however, is then determined by the part of this amount which is reconverted into capital. But this part, since it is equal to the gross profit minus the revenue consumed by the capitalist, will depend not only on the value of the total profit, but on the cheapness of the commodities which the capitalist can buy with it; partly on the cheapness of the commodities which he consumes and which he pays for out of his revenue, partly on the cheapness of the commodities which enter into his constant capital. Wages here are assumed as given—since the rate of profit is likewise assumed as given.>

[10.] Malthus's Theory of Value [Supplementary Remarks]

The value of labour is supposed not to vary (derived from Adam Smith) but only the value of the commodities I acquire for it. Wages are, say, two shillings a day in one case, one shilling in another. In the first case, the capitalist pays out twice as many shillings for the same

labour-time as in the second. But in the second case, the worker performs twice as much labour for the same product as in the first, since in the second case he works a whole day for one shilling and in the first case only half a day. Mr. Malthus believes that the capitalist pays sometimes more shillings, sometimes less, for the same labour. He does not see that the worker, correspondingly, performs either less or more labour for a given amount of produce.

> "... giving more produce for a given quantity of labour, or getting more labour for a given quantity of produce, are one and the same thing in his"(Malthus's) "'view'; in stead of being, as one would have supposed, just the contrary" (*Observations on Certain Verbal Disputes in Political Economy, Particularly Relating to Value, and to Demand and Supply*, London, 1821, p. 52).

It is stated very correctly in the same work (*Observations on Certain Verbal Disputes etc.*) that labour as a measure of value, in the sense in which Malthus borrows it from Adam Smith, would be just as good a measure of value as any other commodity and that it would not be so good a measure as money in fact is.

Here it would be in general a question only of a measure of value in the sense in which money is a measure of value.

||767| In general, it is never the *measure of value* (in the sense of money) which makes commodities commensurable (see Part I of my book, p. 45).

> "On the contrary, it is only the commensurability of commodities as materialised labour-time which converts gold into money."

Commodities as values constitute one *substance*, they are mere representations of the same substance—social labour. The *measure of value* (money) presupposes

them as values and refers solely to the expression and size of this value. The *measure of value* of commodities always refers to the transformation of value into price and already presumes the value.

The passage in the *Observations* alluded to reads as follows:

Mr. Malthus says: "'In the *same* place, and at the *same* time, the different quantities of day-labour, which different commodities can command, will be exactly in proportion to their relative values in exchange', and vice versa. If this is true of labour, it is just as true of anything else" (op. cit., p. 49). "Money does very well as a measure at the same time and place... But it"(Malthus's proposition) "seems *not* to be true of labour. Labour is not a measure even at the same time and place. Take a portion of corn, such as is at the same time and place said to be of equal value with a given diamond; will the corn and the diamond, paid in specie, command equal portions of labour? It may be said [...] No; but the diamond will buy *money*, which will command an equal portion of labour ... the test is of no use, for it cannot be applied without being *rectified* by the application of the other test, which it professed to supersede. We can only infer, that the corn and the diamond will command equal quantities of labour, *because* they are of equal value, in money. But we were told to infer that two things were of equal value, because they would command equal quantities of labour" (loc. cit., pp. 49-50).

[11.] Over-Production, "Unproductive Consumers", etc.

Malthus's theory of value gives rise to the whole doctrine of the necessity for continually rising unproductive consumption which this exponent of over-population (because of shortage of food) preaches so energetically. The value of a commodity is equal to the value of the materials, machinery, etc., advanced plus the quantity of direct labour which the commodity contains; this, according to Malthus, is equal to the *value* of the wages contained in the commodity, plus a profit increment on these advances according to the general rate of profit. This nominal price increment represents the profit and is a condition of supply, and therefore of the reproduction of the commodity. These elements constitute the *price for the purchaser* as distinct from the *price for the producer*, and the price for the purchaser is the real value of the commodity. The question now arises—how is this price to be realised? Who is to pay it? And from what funds is it to be paid?

In dealing with Malthus we must make a distinction (which he has neglected to make). One section of capitalists produce goods which are *directly* consumed by the workers; another section produce either goods which are *only indirectly* consumed by them, insofar, for example, as they are part of the capital required for the production of necessaries, as raw materials, machinery, etc., or commodities which *are not consumed* by the workers *at all*, entering only into the revenue of the non-workers.

Let us first of all consider the capitalists who produce the articles which are consumed by the workers. These capitalists are not only buyers of labour, but also sellers of their own products to the workers. If the quantity of labour contributed by the worker is valued at 100 thaler the capitalist pays him 100 thaler. And this [according to Malthus] is the only value added to the raw material, etc., by the labour which the capitalist has bought. Thus the worker receives the value of his labour and only gives the

capitalist an equivalent of that value in return. But although the worker nominally receives the value, he actually receives a smaller quantity of commodities than he has produced. In fact, he receives back only a part of his labour materialised in the product. Let us assume for the sake of simplicity—as Malthus does quite frequently—that capital consists only of capital laid out in wages. If 100 thaler are advanced to the worker in order to produce commodities, and these 100 thaler are the *value* of the labour purchased and the sole value which it adds to the product—then the capitalist sells these commodities for 110 thaler, and the worker, with his 100 thaler, can buy back only $^{10}/_{11}$ of the product; $^{1}/_{11}$ remains in the hands of the capitalist, to the value of 10 thaler, or the amount of surplus product in which this surplus-value of 10 thaler is embodied. If the capitalist sells the product for 120, then the worker receives only $^{10}/_{12}$ of the product and the capitalist $^{2}/_{12}$ of the product and its value. If he sells it for 130 (30 per cent), then the worker [receives] only $^{10}/_{13}$ and the capitalist $^{3}/_{13}$ of the product. If he sells it at 50 per cent profit, i.e., for 150, the worker receives $^{2}/_{3}$ and the ||768| capitalist $^{1}/_{3}$ of the product. The higher the price at which the capitalist sells, the lower the share of the worker, and the higher his own share in the value of the product and therefore also in the quantity of the product. And the less the worker can buy back of the value or of the product with the value of his labour. It makes no difference to the situation if, in addition to variable capital, constant capital is also advanced, for example, if, in addition to the 100 thaler wages, there is another 100 for raw materials, etc. In this case, if the rate of profit is 10, then the capitalist sells the goods for 220 instead of for 210 (namely, 100 constant capital and 120 the product of [direct] labour).

<*Sismondi's Nouveaux Principes etc.* first published in 1819.>

Here, as regards the *class of capitalists A*, who produce articles which are directly consumed by the workers—necessaries, we have a case where as a result of the nominal surcharge—the normal profit increment added to the price of the advances—a surplus fund is in fact created for the capitalist, since, in this roundabout way, he gives back to the worker only a part of his product while appropriating a part for himself. But this result follows not because he sells the entire product to the worker at the increased value, but precisely because the increase in the value of the product makes the worker unable to buy back the whole product with his wages, and allows him to buy back only part of it. Consequently, it is clear that demand by the workers can never suffice for the realisation of the surplus of the purchase price over and above the cost-price, i.e., the realisation of the profit and the "value" of the commodity. On the contrary, a profit fund only exists because the worker is unable to buy back his whole product with his wages, and his demand, therefore, does not correspond to the supply. Thus capitalist A has in hand a certain quantity of products of a certain value, 20 thaler in the present case, which he does not require for the replacement of the capital, and which he can now partly spend as revenue, and partly use for accumulation. N.B. The extent to which he has such a fund in hand depends on the value of the surcharge he adds over and above the cost-price and which determines the proportions in which he and the worker share the total product.

Let us now turn to the *class of capitalists B*, who supply raw materials, machinery, etc., in short constant capital, to class A. The capitalists of class B can sell *only* to class A, for they cannot sell their products back to the workers who have nothing to do with capital (raw material, machinery, etc.), or to the capitalists who produce luxury goods (all goods which are not necessaries and which are not commonly used by the labouring class), or to the

capitalists who produce the constant capital required for the production of luxury goods.

Now we have seen that, in the capital advanced by A, 100 is included as constant capital. If the rate of profit is 10 per cent, the manufacturer of this constant capital has produced it at a cost-price of 90 $^{10}/_{11}$, but sells it for 100 (90 $^{10}/_{11}$: 9 $^{1}/_{11}$ = 100:10). Thus he makes his profit by imposing a surcharge on class A. And thereby he receives from their product of 220, his 100 instead of only 90 $^{10}/_{11}$, with which, we will assume, he buys immediate labour. B does not by any means make his profit from his workers whose product, valued at 90 $^{10}/_{11}$, he cannot sell back to them for 100, because they do not buy his goods at all. Nevertheless, they are in the same position as the workers of A. For 90 $^{10}/_{11}$ they receive a quantity of goods which has only nominally a value of 90 $^{10}/_{11}$, for every part of A's product is made uniformly dearer, or each part of its value represents a smaller part of the product because of the profit surcharge.

(This surcharging can only be carried out up to a certain point, for the worker must receive enough goods to be able to live and to reproduce his labour-power. If capitalist A were to add a surcharge of 100 per cent and to sell commodities which cost 200 for 400, the worker would be able to buy back only a quarter of the product (if he receives 100). And if he needed half of the product in order to live, the capitalist would have to pay him 200. Thus he would retain only 100 (100 go to constant capital and 200 to wages). It would therefore be the same as if he sold the commodity for 300, etc.)

B makes his profit fund not (directly) through his workers, but through his sales to A. A's product not only serves to realise his profit, but constitutes his own profit fund. It is clear that A cannot realise the profit he makes on his workers by selling to B, and that B cannot provide sufficient demand for his product (enabling him to sell it

at its value) any more than his own workers can. On the contrary, a retroaction takes place here. ||769| The more he raises the profit surcharge, the greater, in relation to his workers, is the portion of the total product which he appropriates and of which he deprives B.

Capitalist B adds a surcharge of the same size as A. B pays his workers 90 $^{10}/_{11}$ thaler as he did before, although they get less goods for this sum. But if A takes 20 per cent instead of 10 per cent, he [B] likewise takes 20 per cent instead of 10 per cent and sells for 109 $^{1}/_{11}$ instead of 100. As a result, this part of the outlay increases for A.

A and B may even be considered as a single class. (B belongs to A's expenditure and the more A has to pay to B from the total product, the less remains for him.) Out of the capital of 290 $^{10}/_{1}$l, B owns 90 $^{10}/_{11}$ and A 200. Between them they expend 290 $^{10}/_{11}$ and make a profit of 29 $^{1}/_{11}$. B can never buy back from A to the tune of more than 100 and this includes his profit of 9 $^{1}/_{11}$. As stated, both of them together have a revenue of 29 $^{1}/_{11}$.

As far as *classes C and D* are concerned, C being the capitalists who produce the constant capital necessary for the production of luxuries, and D being those who directly produce the luxuries, in the first place it is clear that the immediate demand for C is only formed by D. D is the purchaser of C. And C can only realise profit if he sells his goods to D too dearly by means of a nominal surcharge over and above the cost-price. D must pay C more than is necessary for C to replace all the constituent parts [of the cost-price] of his commodities. D for his part makes a profit surcharge partly on the advances made by C and partly on the capital expended directly on wages by D. From the profits which C makes out of D, he can buy some of the commodities made by D, although he cannot expend all his profit in this way, for he also needs necessaries for himself, and not only for workers for whom he exchanges the capital realised from D. In the

first place, the realisation of the commodities by C depends directly on their sale to D; secondly, after that sale is effected, the value of the commodities sold by D cannot be realised as a result of the demand arising from C's profit, any more than the total value of A's commodities can be realised as a result of the demand coming from B. For the profit made by C is made out of D, and if C spends it again on commodities made by D instead of on others, his demand can still never be greater than the profit he makes out of D. It must always be much smaller than D's capital, than his total demand, and it never constitutes a source of profit for D (the most he can do is a little swindling of C by means of the surcharge on the goods he sells back to him) for C's profit comes straight out of D's pocket.

Further it is clear that, insofar as the capitalists—whether of class C or of D—mutually sell each other goods within each class, nobody gains anything or realises a profit thereby. A certain capitalist, M, sells to N for 110 thaler goods which cost only 100, but N does the same to M. After the exchange as before, each of them owns a quantity of goods the cost-price of which is 100. For 110 thaler each receives goods which cost only 100. The surcharge gives him no greater command over the goods of the other seller than it gives the other over his. And as far as value is concerned, it would be the same as if every M and N were to give himself the pleasure of baptising his commodities 110 instead of 100 without exchanging them at all.

It is clear further that [according to Malthus] the nominal surplus-value in D (for C is included in it) does not constitute real surplus product. The fact that the worker receives less necessaries for 100 thaler because of the surcharge imposed by A can, at first, be a matter of indifference to D. He has to expend 100 as he did before in order to employ a certain number of workers. He pays the workers the value of their labour and they add nothing

more to the product, they only give him an equivalent. He can obtain a surplus over and above this equivalent only by selling to a third person and by selling his commodity above the cost-price.

In reality, the product of a mirror manufacturer [D] contains both surplus-value and surplus product just as that of the farmer. For his product contains unpaid labour (surplus-value) and this unpaid labour is embodied in the product just as much as is the paid labour. It is embodied in surplus product. One part of the mirrors costs him nothing although it has value, because labour is embodied in it in exactly the same way as in that part of the mirrors which replaces the capital advanced. This surplus-value exists as surplus product *before* the sale of the mirrors and is not [brought into being] only through this sale. If, on the contrary, the worker by his immediate labour had only provided an equivalent for the accumulated labour which he received in the form of wages, then neither ||770| the surplus product nor the surplus-value corresponding to it would exist. But according to Malthus, who declares that the worker only gives back an equivalent, things are different.

It is clear that class D (including C) cannot artificially create for itself a surplus fund in the same way as class A, namely, [by] selling their commodities back to the workers at a higher price than the workers were paid for producing them, thus appropriating part of the total product after replacing the capital expended. For the workers are not buyers of the goods made by D. No more can the surplus fund of this class [arise] from the sale of commodities or their mutual exchanges among the different capitalists of this class. It can be achieved only by the sale of their product to class A and to class B. [Because] the capitalists of class D sell commodities worth 100 thaler for 110, capitalist A can buy only $^{10}/_{11}$ of their product for 100 thaler and they retain $^{1}/_{11}$ of their output, which they can either consume themselves or

exchange for commodities produced by other members of their own class D.

[According to Malthus] things happen in the following way to all capitalists who do not themselves directly produce necessaries and therefore do not sell back to the workers the major, or at least a significant, portion of their products.

Let us say that their constant capital is 100. If the capitalist pays another 100 in wages, he is paying the workers the value of their labour. To this 100 the workers add a value of 100, and the total value (the cost-price) of the product is therefore 200. Where then does the profit come from? If the average rate of profit is 10 per cent, then the capitalist sells goods worth 200 for 220. If he really sells them for 220, then it is clear that 200 is sufficient for their reproduction—100 for raw materials, etc., 100 for wages, and he pockets 20, which he can dispose of as revenue or use to accumulate capital.

But to whom does he sell the commodities at 10 per cent above their "production value", which, according to Malthus, is different from the "market value" or real value, so that profit, in fact, is equal to the difference between production value and sale value, equal to sale value minus production value? These capitalists cannot realise any profit through exchange or sale amongst themselves. If A sells B for 220 commodities worth 200, then B plays the same trick on A. The fact that these goods change hands does not alter either their value or their quantity. The quantity of goods which belonged formerly to A is now in the possession of B, and vice versa. The fact that what was previously 100 is now called 110, makes no difference. The purchasing power either of A or of B has in no way altered.

But, according to the hypothesis, these capitalists cannot sell their goods to the workers.

They must, therefore, sell them to the capitalists who produce necessaries. These, indeed, have a real surplus fund at their disposal resulting from their exchange with the workers.

The creation of a nominal surplus-value has, in fact, placed surplus product in their possession. And this is the only surplus fund which has existed up to now. The other capitalists can only acquire a surplus fund by selling their goods above their production value to those capitalists who possess a surplus fund.

As for the capitalists who produce the constant capital required for the production of necessaries, we have already seen that the producer of necessaries must perforce buy from them. These purchases enter into his production costs. The higher his profit, the dearer are the advances to which the same rate of profit is added. If he sells at 20 per cent instead of at 10 per cent, then the producer of his constant capital likewise adds 20 per cent instead of 10 per cent. And instead of demanding 100 for 90 $^{10}/_{11}$, he demands 109 $^{1}/_{11}$ or, in round figures, 110, so that the value of the product is now 210, 20 per cent of which is 42, so that the value of the whole product is 252. Out of this the worker receives 100. The capitalist now receives more than $^{1}/_{11}$ of the total product as profit, whereas previously he received only $^{1}/_{11}$ when he sold the product for 220. The total amount of the product has remained the same, but the portion at the disposal of the capitalist has increased both in value and in quantity.

As for those capitalists who produce neither necessaries nor the capital required for their production, their profit [can] only be made by sales to the first two classes of capitalists. If the latter take 20 per cent, then the other capitalists will take [the same].

[Exchange by] the first class of capitalists and exchange between the two classes of capitalists are, however, two

very different things. [As a result of exchange] with the workers, the first class has established a real surplus fund of necessaries (surplus product) which [as an increment] of capital is in their hands to dispose of, so that they can accumulate part of it and [spend] part of it [as revenue] either on necessaries or on luxuries. Surplus-value here, in fact, [represents] ||XIV-771| surplus labour and surplus product, although this is achieved [according to Malthus] by the clumsy, roundabout method of a surcharge on prices. Let us assume that the value of the product of the workers producing necessaries is, in fact, only equal to 100. Since, however, $^{10}/_{11}$ of this is sufficient to pay the wages, it follows that the capitalist only needs to spend 90 $^{10}/_{11}$, upon which he makes a profit of 9 $^{1}/_{11}$. But if he pays the workers 100 thaler and sells them the product for 110, under the illusion that value of labour and quantity of labour are identical, he still retains $^{1}/_{11}$ of the product as he did previously. The fact that this is now worth 10 thaler instead of 9 $^{1}/_{11}$ represents no gain for him, for he has now advanced 100 thaler as capital, not 90 $^{10}/_{11}$.

But as far as the other classes of capitalists are concerned, they have no real surplus product, nothing in which surplus labour-time is embodied. They sell the product of labour worth 100 for 110 and merely by the addition of a surcharge this capital is supposed to be transformed into capital plus revenue.

But how stands the case now, as Lord Dundreary would say, between these two classes of capitalists?

The producers of necessaries sell surplus product valued at 100 for 110 (because they paid 100 in wages instead of 90 $^{10}/_{11}$). But they are the only ones who have surplus product in their possession. If the other capitalists likewise sell them products valued at 100 for 110, then they do in fact replace their capital and make a profit. Why? Because necessaries to the value of 100 suffice for them to pay their workers, they can therefore

keep 10 for themselves. Or rather because they in fact receive necessaries to the value of 100, but $^{10}/_{11}$ of this is sufficient to pay their workers, since they are in the same position as capitalists in classes A and B. These, on the other hand, receive in return only an amount of produce representing a value of 100. The fact that its nominal cost is 110 is of no significance to them, for it neither embodies a greater amount quantitatively, as use-value, than was produced by the labour-time the 100 thaler contain, nor can it add 10 [thaler] to a capital of 100. This would be only possible if the commodities were resold.

Although the capitalists of both classes sell to one another for 110 commodities worth 100, only in the hands of the second class has 100 really the significance of 110. In actual fact, the capitalists of the first class only receive the value of 100 for 110. And they only sell their surplus product for a higher price because for the articles on which they spend their revenue they have to pay *more* than they are worth. In fact, however, the surplus-value realised by the capitalists of the second class is limited only to a share in the surplus product realised by the first class, for they themselves do not create any surplus product.

In connection with this increased cost of luxuries, it occurs just in time to Malthus that accumulation and not expenditure is the immediate object of capitalist production. As a result of this unprofitable trade, in the course of which the capitalists of class A lose a portion of the fruits wrung out of the workers , they are compelled to moderate their demand for luxuries. But if they do so, and increase their accumulation, then effective demand falls, the market for the necessaries they produce shrinks, and this market cannot expand to its full extent on the basis of the demand on the part of the workers and the producers of constant capital. This leads to a fall in the price of necessaries, but it is only through a rise of these prices, through the nominal surcharge on them—and in

proportion to this surcharge—that the capitalists of class A are able to extract surplus product from the workers. If the price were to fall from 120 to 110, then their surplus product (and their surplus-value) would fall from $^{2}/_{12}$ to $^{1}/_{11}$, and consequently the market, the demand for the commodities offered by the producers of luxuries, would decline as well, and by a still greater proportion.

In the course of exchange with the second class, the first class sells real surplus product after having replaced its capital. The second class, on the other hand, merely sells its capital in order to turn its capital into capital plus revenue by this trade. The whole of production is thus only kept going (and this is especially the case with regard to its expansion) by means of *increasing the prices of necessaries;* to this, however, would correspond a price for luxuries in inverse proportion to the amount of luxuries actually produced. Class II, which sells for 110 goods of the value of 100, likewise does not gain by this exchange. For in actual fact, the 110 which it gets back is also only worth 100. But this 100 (in necessaries) replaces capital plus profit, while the other 100 [in luxuries] is merely called 110. Thus [it would] amount to class I receiving luxuries to the value of 100. It buys for 110 luxuries to the value of 100. For the other class, however, 110 is worth 110, because it pays 100 for the labour (thus replacing its capital) and therefore retains a surplus of 10.

||772| It is difficult to understand how any profit at all can be derived if those who engage in mutual exchange sell their commodities by overcharging one another at the same rate and cheating one another in the same proportion.

This incongruity would be remedied if, in addition to exchange by one class of capitalists with its workers and the mutual exchange between the capitalists of the different classes, there also existed a *third class of*

purchasers—a *deus ex machina*—a class which paid the nominal value of commodities without itself selling any commodities, without itself playing the same trick in return; that is a class which transacted one phase only: M—C, but not M—C—M; [a class] which bought not in order to get its capital back plus a profit, but in order to consume the commodities: a class which bought without selling. In this case the capitalists would realise a profit not by exchange amongst themselves but 1) by exchange between them and the workers, by selling back to them a portion of the total product for the same amount of money as they paid the workers for the total product (after deducting the constant capital) and 2) from the portion of luxuries as well as necessaries sold to the third sort of purchaser. Since these pay 110 for 100 without selling 100 for 110 in their turn, a profit of 10 per cent would be made in actual fact and not simply nominally. The profit would be made in dual fashion by selling as little as possible of the total product back to the workers and as much as possible to the third class, who pay ready money, who, without themselves selling, buy in order to consume.

But buyers who are not at the same time sellers, must be consumers who are not at the same time producers, that is *unproductive consumers*, and it is this class of unproductive consumers which, according to Malthus, solves the problem. But these unproductive consumers must, at the same time, be consumers able to pay, constituting real demand, and the money they possess and spend annually must, moreover, suffice to pay not only the production value of the commodities they buy and consume, but also the nominal profit surcharge, the surplus-value, the difference between the market value and the production value. This class will represent consumption for consumption's sake in society, in the same way as the capitalist class represents production for production's sake, the one representing "the passion for

expenditure", the other "the passion for accumulation" (see *Principles of Political Economy*, [second ed.,] p. 326). The urge for accumulation is kept alive in the capitalist class by the fact that their returns are constantly larger than their outlays, and profit is indeed the stimulus to accumulation. In spite of this enthusiasm for accumulation, they are not driven to over-production, or at least, not at all easily, since the *unproductive consumers* not only constitute a gigantic outlet for the products thrown on to the market, but do not themselves throw any commodities on to the market, and therefore, no matter how numerous they may be, they constitute no competition for the capitalists, but, on the contrary, all represent demand without supply and thus help to make up for the preponderance of supply over demand on the part of the capitalists.

But where do the annual financial resources of this class come from? There are, in the first place, the *landed proprietors*, who collect a great part of the value of the annual product under the title of rent and spend the money thus taken from the capitalists in consuming the goods produced by the capitalists, in the purchase of which they are cheated. These landed proprietors do not have to engage in production and do not on the average do so. It is significant, that insofar as they spend money on labour, they do not employ productive workers but *menial servants*, mere fellow-consumers of their fortune, who help to keep the prices of necessaries up, since they buy without helping to increase their supply or the supply of any other kind of commodity. But these landed proprietors do not suffice to create "an adequate demand". Artificial means must be resorted to. These consist of heavy *taxation*, of a mass of sinecurists in State and Church, of large armies, pensions, tithes for the priests, an impressive national debt, and from time to time, expensive wars. These are the "remedies"

(*Principles of Political Economy*, [second ed.,] p. 408 et seq.).

The third class, proposed by Malthus as a "remedy", the class which buys without selling and consumes without producing, thus receives first of all an important part of the value of the annual product *without paying for it* and enriches the producers by the fact that the latter must first of all advance the third class money gratis for the purchase of their commodities, in order to draw it back again ||773| by selling the third class commodities above their value, or by receiving more value in money than is embodied in the commodities they supply to this class. And this transaction is repeated every year.

[12. The Social Essence of Malthus's Polemic Against Ricardo. Malthus's Distortion of Sismondi's Views on the Contradictions in Bourgeois Production]

Malthus correctly draws the conclusions from his basic theory of value. But this theory, for its part, suits his purpose remarkably well—an apologia for the existing state of affairs in England, for landlordism, "State and Church", pensioners, tax-gatherers, tenths, national debt, stock-jobbers, beadles, parsons and menial servants ("national expenditure") assailed by the Ricardians as so many useless and superannuated drawbacks of bourgeois production and as nuisances. For all that, Ricardo championed bourgeois production insofar as it [signified] the most unrestricted development of the social productive forces, unconcerned for the fate of those who

participate in production, be they capitalists or workers. He insisted upon the *historical* justification and necessity of this stage of development. His very lack of a historical sense of the past meant that he regarded everything from the historical standpoint of his time. Malthus also wishes to see the freest possible development of capitalist production, however only insofar as the condition of this development is the poverty of its main basis, the working classes, but at the same time he wants it to adapt itself to the "consumption needs" of the aristocracy and its branches in State and Church, to serve as the material basis for the antiquated claims of the representatives of interests inherited from feudalism and the absolute monarchy. Malthus wants bourgeois production as long as it is not revolutionary, constitutes no historical factor of development but merely creates a broader and more comfortable material basis for the "old" society.

On the one hand, therefore, [there is] the working class, which, according to the population principle, is always redundant in relation to the means of life available to it, over-population arising from under-production; then [there is] the capitalist class, which, as a result of this population principle, is always able to sell the workers' own product back to them at such prices that they can only obtain enough to keep body and soul together; then [there is] an enormous section of society consisting of parasites and gluttonous drones, some of them masters and some servants, who appropriate, partly under the title of rent and partly under political titles, a considerable mass of wealth gratis from the capitalists, whose commodities they pay for above their value with money extracted from these same capitalists; the capitalist class, driven into production by the urge for accumulation, the economically unproductive sections representing prodigality, the mere urge for consumption. This is moreover [advanced as] the only

way to avoid over-production, which exists alongside over-population in relation to production. The best remedy for both [is declared to be] over-consumption by the classes standing outside production. The disproportion between the labouring population and production is eliminated by part of the product being devoured by non-producers and idlers. The disproportion arising from over-production by the capitalists [is eliminated] by means of over-consumption by the owners of wealth.

We have seen how childishly weak, trivial and meaningless Malthus is when, basing himself on the weak side of Adam Smith, he seeks to construct a counter-theory to Ricardo's theory, which is based on Adam Smith's stronger sides. One can hardly find a more comical exertion of impotence than Malthus's book on value. However, as soon as he comes to practical conclusions and thereby once again enters the field which he occupies as a kind of economic Abraham a Santa Clara, he is quite at his ease. For all that, he does not abandon his innate plagiarism even here. Who at first glance would believe that Malthus's *Principles of Political Economy* is simply the Malthusianised translation of Sismondi's *Nouveaux Principes d'économie politique?* But this is the case. Sismondi's book appeared in 1819. A year later, Malthus's English caricature of it saw the light of day. Once again, with Sismondi, as previously with Townsend and Anderson, he found a theoretical basis for one of his stout economic pamphlets, in the production of which, incidentally, he also turned to advantage the new theories learned from Ricardo.

||774| While Malthus assailed in Ricardo that tendency of capitalist production which is revolutionary in relation to the old society, he took, with unerring parsonical instinct, only that out of Sismondi which is reactionary in relation to capitalist production and modern bourgeois society.

I exclude Sismondi from my historical survey here because a critique of his views belongs to a part of my work dealing with the real movement of capital (competition and credit) which I can only tackle after I have finished this book.

Malthus's adaptation of Sismondi's views can easily be seen from the heading of one of the chapters in the *Principles of Political Economy:*

> "Of the Necessity of a Union of the Powers of Production with the Means of Distribution, in order to ensure a continued Increase of Wealth" ([second ed.,] p. 361).

[In this chapter it is stated:]

> "... the powers of production [...] not alone [...] secure the creation of a proportionate degree of wealth. Something else seems to be necessary in order to call these powers fully into action. This is an effectual and unchecked demand for all that is produced. And what appears to contribute most to the attainment of this object, is, such a *distribution of produce*, and such an adaptation of this produce to the wants of those who are to consume it, as constantly to increase the exchangeable value of the whole mass" (*Principles of Political Economy*, [second ed.,] p. 361).

Furthermore, written in the same Sismondian manner and directed against Ricardo:

> "... the *wealth* of a country depends partly upon the *quantity of produce* obtained by its labour, and partly upon such an adaptation of this quantity to the wants and powers of the existing population as is calculated to give it *value*. Nothing can be more certain than that it is not determined by either of them alone" (op. cit., p. 301).

> "But where wealth and value are perhaps the most nearly connected, is in the *necessity of the*

> *latter to the production of the former* (loc. cit., p. 301).

This is aimed especially against Ricardo: Chapter XX, "*Value and Riches, Their Distinctive Properties" [On the Principles of Political Economy, and Taxation*, third ed., London, 1821, p. 320]. There Ricardo says, among other things:

> "Value, then, essentially differs from riches, for value depends not on abundance, but on the difficulty or facility of production."

<Value, incidentally, can also increase with "the facility of production". Let us suppose that the number of men in a country rises from one million to six million. The million men worked 12 hours. The six million have so developed the productive powers that each of them produces as much again in 6 hours. In these circumstances, according to Ricardo's own views, wealth would have been increased sixfold and value threefold.>

> " ... riches do not depend on value. A man is rich or poor, according to the abundance of necessaries and luxuries which he can command... It is through confounding the ideas of value and wealth, or riches that it has been asserted, that by diminishing the quantity of commodities, that is to say of the necessaries, conveniences, and enjoyments of human life, riches may be increased. If value were the measure of riches, this could not be denied, because by scarcity the value of commodities is raised; but ... if riches consist in necessaries and enjoyments, then they cannot be increased by a diminution of quantity" (op. cit., pp. 323-24).

In other words, Ricardo says here: wealth consists of *use-values* only. He transforms bourgeois production into mere production of use-value, a very pretty view of a mode of production which is dominated by *exchange-value*. He regards the specific form of bourgeois wealth

as something merely formal which does not affect its content. He therefore also denies the contradictions of bourgeois production which break out in crises.

Hence his quite false conception of money. Hence, in considering the production process of capital, he ignores completely the circulation process, insofar as it includes the metamorphosis of commodities, the necessity of the transformation of capital into money. At any rate nobody has better and more precisely than Ricardo elaborated the point that bourgeois production is not production of wealth for the *producers* (as he repeatedly calls the workers) and that therefore the production of bourgeois wealth is something quite different from the production of "abundance", of "necessaries and luxuries" for the men who produce them, as this would have to be the case if production were only a means for satisfying the needs of the producers through production dominated by use-value alone. Nevertheless, the same Ricardo says:

> "If we lived in one of Mr. Owen's parallelograms, and enjoyed all our productions in common, then no one could suffer in consequence of abundance, but *as long as society is constituted as it now is*, abundance will often be injurious to producers, and scarcity beneficial to them" ([Ricardo], *On Protection to Agriculture*, fourth ed., London, 1822, p.21).

||775| Ricardo regards bourgeois, or more precisely, capitalist production as the *absolute form* of production, whose specific forms of production relations can therefore never enter into contradiction with, or enfetter, the aim of production—abundance—which includes both mass and variety of use-values, and which in turn implies a profuse development of man as producer, an all-round development of his productive capacities. And this is where he lands in an amusing contradiction: when we are speaking of value and riches, we should have only society as a whole in mind. But when we speak of capital and

labour, then it is self-evident that "gross revenue" only exists in order to create "net revenue". In actual fact, what he admires most about bourgeois production is that its definite forms— compared with previous forms of production—provide scope for the boundless development of the productive forces. When they cease to do this, or when contradictions appear within which they do this, he denies the contradictions, or rather, expresses the contradiction in another form by representing *wealth as* such—the mass of use-values in itself—without regard to the producers, as the *ultima Thule*.

Sismondi is profoundly conscious of the contradictions in capitalist production; he is aware that, on the one hand, its forms—its production relations—stimulate unrestrained development of the productive forces and of wealth; and that, on the other hand, these relations are conditional, that their contradictions of use-value and exchange-value, commodity and money, purchase and sale, production and consumption, capital and wage-labour, etc., assume ever greater dimensions as productive power develops. He is particularly aware of the fundamental contradiction: on the one hand, unrestricted development of the productive forces and increase of wealth which, at the same time, consists of commodities and must be turned into cash; on the other hand, the system is based on the fact that the mass of producers is restricted to the necessaries. Hence, according to Sismondi, crises are not accidental, as Ricardo maintains, but essential outbreaks—occurring on a large scale and at definite periods—of the immanent contradictions. He wavers constantly: should the State curb the productive forces to make them adequate to the production relations, or should the production relations be made adequate to the productive forces? He often retreats into the past, becomes a *laudator temporis acti*,[gg] or he seeks to exorcise the contradictions by a

different adjustment of revenue in relation to capital, or of distribution in relation to production, not realising that the relations of distribution are only the relations of production seen from a different aspect. He forcefully *criticises* the contradictions of bourgeois production but does not *understand* them, and consequently does not understand the process whereby they can be resolved. However, at the bottom of his argument is indeed the inkling that *new* forms of the appropriation of wealth must correspond to productive forces and the material and social conditions for the production of wealth which have developed within capitalist society; that the bourgeois forms are only transitory and contradictory forms, in which wealth attains only an antithetical existence and appears everywhere simultaneously as its opposite. It is wealth which always has poverty as its prerequisite and only develops by developing poverty as well.

We have now seen how nicely Malthus appropriates Sismondi. Malthus's theory is expressed in an exaggerated and even more nauseating form in *On Political Economy in connexion with the Moral State and Moral Prospects of Society*, second ed., London, 1832, by *Thomas Chalmers (Professor of Divinity)*. Here the parsonic element is more in evidence not only theoretically but also practically, since this member of the Established Church defends it "economically" with its "loaves and fishes" and the whole complex of institutions with which this Church stands or falls.

The passages in Malthus (referred to above) having reference to the workers are the following:

> "... the consumption and demand occasioned by the workmen employed in productive labour can never *alone* furnish a motive to the accumulation and employment of capital" (*Principles of Political Economy*, [London, 1836,] p. 315).

> "No farmer will take the trouble of superintending the labour of ten additional men merely because his whole produce will then sell in the market at an advanced price just equal to what he had paid his additional labourers. There must be something in the previous state of the demand and supply of the commodity in question, or in its price, antecedent to and independent of the demand occasioned by the new labourers, in order to warrant the employment of an additional number of people in its production" (op. cit., p. 312).

> "The demand created by the productive labourer himself can never be an *adequate* demand, ||776| because it does not go to the *full extent of what he produces. If it did, there would be no profit*, consequently no motive to employ him. The very *existence of a profit upon any commodity* presupposes a demand *exterior* to that of the labour which has produced it" (op. cit., p. 405, note).

> "... as a great increase of consumption among the working classes must greatly increase the cost of production, it must lower profits, and diminish or destroy the motive to accumulate..." (loc. cit., p. 405).

> "It is the *want of necessaries* which mainly stimulates the labouring[hh] classes to produce luxuries; and were this stimulus removed or greatly weakened, so that the necessaries of life could be obtained with very little labour, instead of more time being devoted to the production of conveniences, there is every reason to think that less time would be so devoted" (op cit., p.334).

Malthus is interested not in concealing the contradictions of bourgeois production, but on the contrary, in emphasising them, on the one hand, in order to prove that the poverty of the working classes is necessary (as it is, indeed, for this mode of production) and, on the other hand, to demonstrate to the capitalists the necessity for a well-fed Church and State hierarchy in

order to create an adequate demand for the commodities they produce. He thus shows that for "... continued increase[ii] of wealth" [op. cit., p. 314] neither increase of population nor accumulation of capital suffices (op. cit., pp. 319-20), nor "fertility of the soil" (op. cit., p. 331), nor "labour-saving inventions", nor the extension of the "foreign markets" (op. cit., pp. 352 and 359).

> "...both labourers and capital may be redundant, compared with the means of employing them profitably" (op. cit., p. 414 [note]).

Thus he emphasises the possibility of general over-production in opposition to the view of the Ricardians (inter alia op. cit., p. 326).

The principal propositions dealing with this matter are the following:

> "... demand is always determined by *value*, and supply by *quantity*" (op. cit., p. 316, note).

Commodities are exchanged not only for commodities but also for productive labour and personal services and in relation to them, and also to money, there can be a general glut of commodities[jj] (loc. cit.).

> "... supply must always be proportioned to *quantity*, and demand to *value" (Definitions in Political Economy*, ed. by John Cazenove, London, 4853, p. 65 [note]).

> "'It is evident,' says James Mill 'that whatever a man has produced, and does not wish to keep for his own consumption, is a stock which he may give in exchange for other commodities. His will, therefore, to purchase, and his means of purchasing, in other words, his demand, is [...] equal to the amount of what he has produced, and does not mean to consume.'... It is quite obvious" [answers Malthus] "that his means of purchasing other commodities are not proportioned to

> the *quantity* of his own commodity which he has produced, and wishes to part with; but to its *value in exchange;* and unless the value of a commodity in exchange be proportioned to its quantity, it cannot be true that the demand and supply of every individual are always equal to one another" (loc. cit., pp. 64-65).
>
> "If the demand of every individual were equal to his supply, in the correct sense of the expression, it would be a proof that he could always sell his commodity for the costs of production, including fair profits; and then even a *partial* glut would be impossible. The argument proves too much ... supply must always be proportioned to *quantity*, and demand to *value* "(*Definitions in Political Economy*, London, 1827, p. 48, note).

Here, by demand Mill understands the "means of purchasing" of the person who demands. But "... his[kk] means of purchasing other commodities are not proportioned to the *quantity* of his own commodity which he has produced, and wishes to part with; but to its *value in exchange;* and unless the value of a commodity in exchange be proportioned to its quantity, it cannot be true that the demand and supply of every individual are always equal to one another" (loc. cit., pp. 48-49).

> "It is still further from the truth"[ll] for Torrens to say "'that increased supply is the one and only cause of increased effectual demand' [...]. If it were, how difficult would it be for a society[mm] to recover itself, under a temporary diminution of food and clothing, But [...][nn] food and clothing [...] diminished in quantity will rise in value [...] the money-price of the remaining food and clothing will for a time rise in a greater degree than [in proportion to] the diminution of its quantity, while the money-price of labour may remain the same. The necessary consequence [...] the power of setting in motion a greater quantity of productive industry than before" (op. cit., pp. 59-60).

All a nation's commodities may fall compared with money or labour (op. cit., p.64 et seq.). Thus a general glut of the market is possible (loc. cit.). Their prices can all fall below their production costs (loc. cit.).[oo]

* * *

||777| For the rest, only the following passage from Malthus, which deals with the circulation process, need be noted.

> "... if we reckon the value of the fixed capital employed as a part of the advances, we must reckon the remaining value of such capital at the end of the year as a part of the annual returns ... in reality his" (the capitalist's) "*annual advances consist only* of his circulating capital, the wear and tear of his fixed capital with the interest upon it, and the interest of that part of his circulating capital which consists of the money employed in making his annual payments as they are called for" (*Principles of Political Economy*, [second ed., London, 1836,] p. 269).

The *sinking fund*, i.e., the fund for wear and tear of the fixed capital, is, in my opinion, at the same time a fund for accumulation.

[13. Critique of Malthus's Conception of "Unproductive Consumers" by Supporters of Ricardo]

I wish to quote yet a few passages from a Ricardian book directed against Malthus's theory. As regards the attacks from the capitalist point of view which are made in the book against Malthus's unproductive consumers in general and landlords in particular I shall demonstrate

elsewhere that they can be used word for word against the capitalists from the workers' standpoint. (This is to be included in the section "The Relationship Between Capital and Wage-Labour Presented from an Apologetic Standpoint".)

[An anonymous follower of Ricardo writes:]

> "Considering, that an increased employment of capital will not take place unless a rate of profits equal to the former rate, or greater than it, can be ensured, and considering, that the mere addition to capital does not of itself tend to ensure such a rate of profits, but the reverse, Mr. Malthus, and those who reason in the same manner as he does, proceed to look out for some source, independent of and extrinsic to production itself, whose progressive increase may keep pace with the progressive increase of capital, and from which continual additional supplies of the requisite rate of profits may be derived" (*An Inquiry into those Principles, respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus etc.*, London, 1821, pp. 33-34).

According to Malthus, the "unproductive consumers" are such a source (loc. cit., p. 35).

> "Mr. Malthus sometimes talks as if there were two *distinct funds*, capital and revenue, supply and demand, production and consumption, which must take care to keep pace with each other, and neither outrun the other. As if, *besides the whole mass of commodities produced*, there was required another mass, fallen from Heaven, I suppose, to purchase them with... The fund for consumption, such as he requires, can only be had at the expense of production" (op. cit., pp. 49-50).
>
> "We are continually puzzled, in his" (Malthus's) "speculations, between the object of increasing production and that of checking it. When a man is in want of a *demand*, does

> Mr. Malthus recommend him to pay some other person to take off his goods? Probably not" (op. cit., p. 55). Certainly yes.
>
> "The object of selling your goods is to make a certain amount of money; it never can answer to part with that amount of money for nothing, to another person, that he may bring it back to you, and buy your goods with it: you might as well have just burnt your goods at once, and you would have been in the same situation" (op. cit., p. 63).

[He is] right in regard to Malthus. But because it is one and the same fund—"the whole mass of commodities produced"— which constitutes the production fund and the consumption fund, the fund of supply and the fund of demand, the fund of capital and the fund of revenue, it does not by any means follow that it is irrelevant how the total fund is divided between these various categories.

The anonymous author does not understand what Malthus means when he speaks of the "demand" of the workers being "inadequate" for the capitalist.

> "... as to the *demand* from labour; that is, either the giving labour in exchange for goods, or ... in exchange[pp] for present complete products, a future and accruing addition of value... This is the real demand that it is material to the producers to get increased" (op. cit., p. 57).

What Malthus means is not the *offer of labour* (which our author calls *demand from labour*) but the demand for commodities which the wages the worker receives enable him to make, the money with which the worker buys commodities on the market. And Malthus rightly says of this demand that it can never be adequate to the supply of the capitalist. Otherwise the worker would be able to buy back the whole of his product with his wages.

||778| The same writer says:

> "... the very meaning of an increased demand by them" (the labourers) "is a disposition to take less themselves, and leave a larger share for their employers; and if it be said[qq] that this, by diminishing consumption, increases glut, I can only answer, that glut [...] is synonymous with high profits" (op. cit., p. 59).

This is meant to be witty, but in fact it contains the essential secret of "glut".

In connection with Malthus's *Essay on Rent*, our author says:

> "When Mr. Malthus published his *Essay on Rent*, it seems to have been partly with a view to answer the cry of 'No Landlords', which then 'stood rubric on the walls', to stand up in defence of that class, and to prove that they were not like *monopolists*. That rent cannot be abolished, that its increase is a natural concomitant, in general, of increasing wealth and numbers, he shewed; but neither did the vulgar cry of 'No Landlords' necessarily mean that there ought to be *no such thing* as rent, but rather that it ought to be equally divided among the people, according to what was called 'Spence's plan'. But when he proceeds to vindicate landlords from the odious name of monopolists, from the observation of Smith, 'that they love to reap where they never sowed', he seems to be fighting for a *name*... There is too much the air of an *advocate* in all these arguments of his" (op. cit., pp. 108-09)

[14. The Reactionary Role of Malthus's Writings and Their Plagiaristic Character. Malthus's Apologia for the Existence of

“Upper” and “Lower” Classes]

Malthus’s book *On Population* was a lampoon directed against the French Revolution and the contemporary ideas of reform in England (Godwin, etc.). It was an apologia for the poverty of the working classes. The *theory* was plagiarised from Townsend and others.

His *Essay on Rent* was a piece of polemic writing in support of the landlords against industrial capital. Its *theory* was taken from Anderson.

His *Principles of Political Economy* was a polemic work written in the interests of the capitalists against the workers and in the interests of the aristocracy, Church, tax-eaters, toadies, etc., against the capitalists. Its *theory* was taken from Adam Smith. Where he inserts his own inventions, it is pitiable. It is on Sismondi that he bases himself in further elaborating the theory. |XIV-778||

* * *

||VIII-345| *{Malthus* makes the following remarks, laced with his usual “profound philosophy’, against any plan to provide the cottagers of England with cows (in the French translation of his *An Essay on the Principles of Population*, fifth ed., translated by P. Prévost, Genève, 1836, troisième éd., t. IV, pp. 104-05):

> “it has been observed that those *cottagers*, who keep cows, are more industrious and more regular in their conduct, than those who do not... Most of those who keep cows at present have purchased them with the fruits of their own industry. It is therefore more just to say that their industry has given them a cow, than that a cow has given them their industry”

> [Malthus, *An Essay on the Principles of Population*, fifth ed., Vol. 2, London, 1817, pp. 296-97].

And it is therefore correct that diligence in labour (together with the exploitation of other people's labour) has given cows to the parvenus amongst the bourgeoisie, while the cows give their sons the taste for idleness. If one took away from their cows not the ability to give milk, but to command other people's unpaid labour, it would be a very good thing for their taste for labour.

The selfsame "profound philosopher" remarks:

> "*But it is evident that all cannot be in the middle*. Superior and inferior parts are in the nature of things absolutely necessary; and [...] " (naturally there can be no mean without extremes) "strikingly beneficial. If no man could hope to rise, or fear to fall in society; if industry did not bring with it its reward, and indolence its punishment; we could not expect to see that animated activity in bettering our condition, which now forms the master-spring ||346| of public prosperity" ([Malthus, *Principles of Population*, p. 303,] Prévost, p. 112).

Thus there must be lower classes in order that the upper ones may fear to fall and there must be upper classes in order that the lower ones may hope to rise. In order that indolence may carry its own punishments the worker must be poor and the rentier and the landlord, so beloved of Malthus, must be rich. But what does Malthus mean by the reward of industry? As we shall see later, he means that the worker must perform part of his labour without an equivalent return. A wonderful stimulus, provided the "reward" and not hunger were the stimulus. What it all boils down to is that a worker may hope to exploit other workers some day.

Rousseau says: "The more monopoly spreads, the heavier do the chains become for the exploited."

Malthus, “the profound thinker”, has different views. His supreme hope, which he himself describes as more or less utopian, is that the mass of the middle class should grow and that the proletariat (those who work) should constitute a constantly declining proportion (even though it increases absolutely) of the total population. This in fact is the *course* taken by bourgeois society.

> “We might even venture,” says Malthus, “to indulge a hope that at some future period the processes for abridging human labour, the progress of which has of late years been so rapid, might ultimately supply all the wants of the most wealthy society with less personal effort than at present; and *if they did not diminish the severity of individual exertion*” (he must go on risking just as much as before, and relatively more and more for others and less and less for himself), “might, at least, diminish the *number of those* employed in severe toil” ([Malthus, *Principles of Population*, p. 304,] Prévost, p. 113).} |VIII-346||

[15. Malthus’s Principles Expounded in the Anonymous “Outlines of Political Economy”]

||XIV-778| A book in which Malthus’s principles are elaborated is *Outlines of Political Economy; being a Plain and Short View of the Laws relating to the Production, Distribution, and Consumption of Wealth etc.*, London, 1832.

First of all the author[rr] explains the practical reasons governing the opposition of the Malthusians to the determination of value by labour-time.

> "That labour is the sole source of wealth seems to be a doctrine as dangerous as it is false, as it unhappily affords a handle to those who would represent all property as belonging to the working classes, and the share which is received by others as a robbery or fraud upon them" ([John Cazenove, *Outlines of Political Economy*, London, 1832,] p. 22, note).

In the following sentence it emerges more clearly than in Malthus that the author confuses the *value* of commodities with the *utilisation* of commodities, or of money as capital. In the latter sense it correctly expresses the origin of surplus-value.

> "The *value of capital*, the quantity of labour which it is worth or will command, is [...] always greater than that which it has cost, and the difference constitutes the profit or remuneration to its owner" (op. cit., p. 32).

The following, too, which is taken from Malthus, is correct as an explanation of why profit is to be reckoned as part of the *production costs* of capitalist production:

> "... profit upon the capital employed" < "unless this profit were obtained, there would be no adequate motive to produce the commodity"> "is an essential condition of the supply, and, as such, constitutes a component part of the *costs of production*" (loc. cit., p. 33).

In the following passage we have, on the one hand, the correct statement that profit directly arises out of the exchange of capital for labour, and on the other hand, the Malthusian thesis that profit is made in *selling*.

> "... a man's profit does not depend upon his command of the *produce* of other men's labour, but upon his command of *Labour itself*." (Here the correct distinction is made between the exchange of one commodity for another and the exchange of the commodity as capital for labour.) "If"(when the *value of money* falls) "he ||779| can sell his goods at a

> higher price, *while his workmen's wages remain unaltered*, he is clearly benefited by the rise, whether other goods rise or not. A smaller proportion of what he produces is sufficient to put that labour into motion, and a larger proportion consequently remains for himself " (op. cit, , pp. 49-50).

The same thing happens when, for example, as a result of the introduction of new machinery, chemical processes, etc., the capitalist produces commodities below their old value and, either sells them at their old value or, at any rate, above the individual value to which they have fallen. It is true that when this happens, the worker does not directly work a shorter period for himself and a longer one for the capitalist, but in the reproduction process, "a smaller proportion of what he produces is sufficient to put that labour into motion". In actual fact, the worker therefore exchanges a greater part of his immediate labour than previously for his own realised labour. For example, he continues to receive what he received previously, £10. But this £10, although it represents the same amount of labour to society, is no longer the product of the *same amount of labour-time* as previously, but may represent one hour less. So that, in fact, the worker works longer for the capitalist and a shorter period for himself. It is as if he received only £8, which, however, represented the same mass of use-values as a result of the increased productivity of his labour.

The author remarks in connection with [James] Mill's s arguments regarding the identity of demand and supply, discussed earlier:

> "The supply of each man depends upon the *quantity* which he brings to market: his demand for other things depends upon the *value* of his supply. The former is certain; it depends upon himself: the latter is uncertain; it depends upon others. The former may remain the same, whilst the latter may vary. A hundred quarters of corn, which a man brings

> to market, may at one time be worth thirty shillings, and at another time sixty shillings, the quarter. The *quantity or supply* is in both instances the same; but the man's demand or power of purchasing other things is twice as great in the latter as in the former case" (op. cit., pp. 111-12).

About the relationship of labour and machinery, the author writes the following:

> "... when commodities are multiplied by a more judicious distribution of labour, no greater amount of demand than before is required in order to maintain all the labour which was previously employed;"

(How so? If the distribution of labour is more judicious, more commodities will be produced by the same labour; hence the supply will grow, and does its absorption not require an increased amount of demand? Does Adam Smith not rightly say that division of labour depends upon the extent of the market? In actual fact, the difference as regards demand from outside is the same except [that demand] on a larger scale [is required] when machinery is used. But "a more judicious distribution of labour" may require the same or even a greater number of labourers than before, while the introduction of machinery must under all circumstances diminish the proportion of capital laid out in immediate labour)

> "whereas, when machinery is introduced, if there be not an increased amount of demand, or a fall in wages or profits, *some of the labour will undoubtedly be thrown out of employment* [...] let the case be supposed of a commodity worth £1,200, of which £1,000 consists of the wages of 100 men, at £10 each, and £200 of profits, at the rate of 20 per cent. Now, let it be imagined that the same commodity can be produced by the labour of 50 men, and a machine which has cost the labour of 50 men, and which requires the labour of 10

> men to keep it in constant repair; the producer will then be able to reduce the price of the article to £800, and still continue to obtain the same remuneration for the use of his capital [...]

The wages of 50 men at £10, are	£500	
[The wages] of £10 to keep[ss] [the machine] in repair	£100	
Profit 20 per cent		
on circulating capital	£500	} £200
[...] on fixed capital	£500	
	[Total] £800"	

(op. cit., pp. 114-15).

<(The "10 men to keep it in [...] repair" represent here the annual wear and tear. Otherwise the calculation would be wrong, since the labour of repairing would then have to be added to the original production costs of the machinery.) Previously the manufacturer had to lay out £1,000 annually, but the product was [worth] £1,200. Now he has laid out £500 on machinery once and for all; he has not therefore to lay out this sum again in any other way. What he has to lay out is £100 annually for repairs and £500 in wages (since there are no raw materials in this example). He has to lay out only £600 per annum, but he makes a profit of £200 on his total capital just as he did previously. The amount and rate of profit remain the same as they were before. But his annual product amounts to only £800.>

> "Those who used to pay £1,200 for the commodity will now have £400 to spare, which they can lay out either on something else, or in purchasing more of the same commodity. If it be laid out in ||780| the *produce* of immediate labour, it will give employment to no more than

> 33.4 men, whereas the number thrown out of employment by the introduction of the machine will have been 40, for—

The wages of 33.4 men at £10, are £334

Profits 20 per cent £66

Total £400"

(loc. cit., pp. 114-16).

<In other words this means: If the £400 is expended on commodities which are the product of immediate labour and if the wages per man equal £10, then the commodities which cost £400 must be the product of less than 40 men. If they were the product of 40 men, then they would contain only *paid labour*. The value of labour (or the quantity of labour embodied in the wages) would be equal to the value of the product (the quantity of labour embodied in the commodity). But the commodities worth £400 contain *unpaid* labour, which is precisely what constitutes the profit. They must therefore be the product of less than 40 men. If the profit is 20 per cent, then only $^{5}/_{6}$ of the product can consist of paid labour, that is, approximately £334 or 33.4 men at £10 per man. The other sixth, roughly £66, represents the unpaid labour. Ricardo himself has shown in exactly the same way that machinery itself, when its money price is as high as the price of the immediate labour it displaces, can never be the product of so much labour.>

> "If it" (i.e., the £400) "be laid out in the purchase of more of the same commodity, or of any other, where the same species and quantity of fixed capital were used, it would employ only 30 men, for—

The wages of 25 men at £10 each, are £250

[The wages of] 5 men [at £10 each] to keep [it] in repair £50

Profits on £250 circulated and £250 fixed capital £100

£400”

(loc. cit., p. 116).

<That is to say, in the case where machinery is introduced, the production of commodities costing £800 involves an outlay of £500 on machinery. Thus for the production of £400 [worth of commodities] only £250 [is spent on machinery]. Furthermore, 50 workers are needed to operate machinery worth £500, therefore 25 workers ([their wages] amounting to £250) for machinery worth £250; further for repair (the maintenance of the machine) 10 men are needed if the machinery costs £500, consequently 5 men ([whose wages] come to £50) are needed for machinery costing £250. Thus [we have] £250 fixed capital and £250 circulating capital—a total of £500, on which there is a profit of 20 per cent amounting to £100. The product is therefore [made up of] £300 wages and £100 profit—£400. Thirty workers are employed in producing the commodities. Here it has been assumed all along that the capitalist who manufactures the commodities either borrows capital out of the (£400) savings which the consumers have deposited at the bank, or that—apart from the £400 which have been saved from the revenue of the consumers— he himself possesses capital. For clearly with a capital of £400 he cannot lay out £250 on machinery and £300 on wages.>

> “When the total sum of £1,200 was spent on the produce of immediate labour, the division was £1,000 wages, £200 profits” (100 workers whose wages come to £1,000). “When it was spent partly in the one way and partly in the other ... the division was £934 wages and £266 profits” (i.e., 60 workers in the machine shop and 33.4 immediate labour making a total of 93.4 workers, whose wages come to £934), “and, as in the third supposition, when the

> whole sum was spent on the joint produce of the machine and labour, the division was £900 wages" (i.e., 90 workers) "and £300 profits" (loc. cit., pp. 114-17 [passim]).

||781| After the introduction [of the machine] the capitalist "certainly cannot employ as much labour as he did before, without accumulating further capital; but [...] the revenue which is saved by the consumers of the article after its price has fallen, will, by increasing their consumption of that or something else, create a demand for *some* though not for *all* the labour which has been displaced by the machine" (op. cit., p. 119 [note]).

> "Mr. McCulloch [...] conceives that the introduction of machines into any employment *necessarily occasions on equal or greater demand for the disengaged labourers in some other employment*, [...] In order to prove this, he supposes that the annuity necessary to replace the value of the machine by the time it is worn out, will every year occasion an increasing demand for labour. But as the successive annuities added together up to the end of the term, can only equal the original cost of the machine, and the interest upon it during the time it is in operation, in what way it can ever create a demand for labour, beyond what it would have done had no machine been employed, it is not easy to understand" (loc. cit., pp. 119-20 [note]).

The sinking fund itself can, indeed, be used for accumulation in the interval when the wear and tear of the machine is shown in the books, but does not actually affect its work. But in any case, the demand for labour created in this way is much smaller than if the whole capital invested in machinery were laid out in wages, instead of merely the annual wear and tear. MacPeter is an ass—as always. This passage is only noteworthy, because it contains the idea that the sinking fund is itself a fund for accumulation.

[a] In the manuscript “Doctor Smith” instead of “Adam Smith”.—*Ed.*

[b] In the manuscript “That” instead of “And that”.—*Ed.*

[c] Marx here summarises Cazenove’s remarks.—Ed.

[d] The manuscript has “worked up in them+the”.-Ed.

[e] The manuscript has “can command is” instead of “would command”.-Ed.

[f] Those born to enjoy the fruits (Horace).—Ed.

[g] This and the following passage from Adam Smith, which Marx quotes from Garnier’s French translation, are printed in this volume according to Adam Smith, *Wealth of Nations*, Oxford University Press, London, 1928.— *Ed.*

[h] In the manuscript the word “Rises” takes the place of “In the former case of”.—*Ed.*

[i] The word “caused” is used instead of “occasioned” in the manuscript.—*Ed.*

[j] Instead of “there is one”, the manuscript has “a”.—*Ed.*

[k] Instead of “tends to rise, rises” is used in the manuscript.—Ed.

[l] Instead of “such as”, the words “whereas the” are used in the manuscript.—Ed.

[m] From here the sentence is written in English in the manuscript.—Ed.

[n] Instead of “cannot be true, except”, the manuscript has “and vice versa, only true”.—Ed.

[o] Instead of “an assumption which probably will not be found to be true”, the manuscript has “and this is true”.—Ed.

[p] Instead of “... from that ... necessary state of things, which”, the manuscript has “indeed necessarily, because”.—Ed.

[q] Instead of “that”, the manuscript has “The”.—Ed.

* Malthus *presupposes* the *existence of profit* in order to be able to measure its value by an external standard. He does not deal with the question of the origin and intrinsic possibility of profit.

[r] The manuscript gives “Profit of capital” instead of “Profits of stock”.— Ed.

[s] The manuscript gives “augments” instead of “increases”,—Ed.

[t] The manuscript has “and”. —Ed.

[u] Instead of “to”, the manuscript has “for”.—Ed.

[v] The manuscript has “Accumulated labour=the”.—Ed.

[w] The manuscript has “should be” instead of “were”.—Ed.

[x] Instead of “required to pay the labour employed will be”, the manuscript has “for labour”.—Ed.

[y] The manuscript has “let us suppose $^1/_4$ of the advances for labour (immediate)” instead of the words used above.—Ed.

[z] The manuscript has “and” instead of “or”.—Ed.

[aa] The manuscript has “Then” instead of “it will be”.—Ed.

[bb] The manuscript has “his” instead of “of the”.—Ed.

[cc] The manuscript has “e.g. a farmer”.—Ed.

[dd] The manuscript has “are” instead of “are worth”.—Ed.

[ee] The manuscript has “his profit 400 on 2,000=20 per cent” instead of “the farmer’s profit will be £400, or twenty per cent”.—Ed.

[ff] The manuscript has “his” instead of “of the”.—Ed.

[gg] Eulogiser of the past (Horace, *Ars poetica*).—*Ed.*

[hh] In the manuscript “working” instead of “labouring”.—Ed.

[ii] “Progress” instead of “increase” in the manuscript.—Ed.

[jj] Marx summarises here the contents of a paragraph from Malthus’s book *Principles of Political Economy*, London, 1836, p. 316.—Ed.

[kk] In the manuscript “these” instead of “his”.—Ed.

[ll] In the manuscript “It is wrong” instead of “It is still further from the truth”.—Ed.

[mm] “Mankind” instead of “Society” in the manuscript.—Ed.

[nn] In the manuscript “when” instead of the omitted words.—Ed.

[oo] In this paragraph Marx paraphrases some of the ideas expressed by Malthus in his book *Definitions in Political Economy*, London, 1827, p. 64 et seq.—Ed.

[pp] In the manuscript “or ... the giving in exchange” instead of “or ... in exchange”.—*Ed.*

[qq] In the manuscript “if it is said”.—Ed.

[rr] John Cazenove.—Ed.

[ss] In the manuscript “10 men to keep it” instead of “£10 to keep”.—Ed.

Theories of Surplus Value, Marx 1861-3

[Chapter XX] Disintegration of the Ricardian School

1. [Robert Torrens]

[a) Smith and Ricardo on the Relation Between the Average Rate of Profit and the Law of Value]

||782|Robert Torrens, *An Essay on the Production of Wealth etc.*, London, 1821.

Observation of competition—the phenomena of production—shows that capitals of equal size yield an equal amount of profit on the average, or that, given the average rate of profit (and the term, average rate of profit, has no other meaning), the amount of profit depends on the amount of capital advanced.

Adam Smith has noted this fact. Its connection with the theory of value which he put forward caused him no pangs of conscience—especially since in addition to what one might call his esoteric theory, he advanced many others, and could recall one or another at his pleasure. The sole reflection to which this question gives rise is his polemic against the view which seeks to resolve profit into "wages of superintendence", since, apart from any other circumstance, the work of superintendence does not increase in the same measure as the scale of production and, moreover, the value of the capital advanced can increase, for instance, as a result of the dearness of raw materials, without a corresponding growth in the scale of production. He has no immanent law to determine the *average profit* or its amount. He merely says that competition reduces this *x*.

Ricardo (apart from a few merely chance remarks) directly identifies profit with surplus-value everywhere. Hence with him, commodities sell at a *profit* not because they are sold *above* their value, but because they are sold *at their value*. Nevertheless, in considering *value* (in Chapter I of the *Principles*) he is the first to reflect at all on the relationship between the *determination* of *the value* of commodities and the phenomenon that capitals of equal size yield equal profits. They can only do this inasmuch as the commodities they produce—although *they are not sold at equal prices* (one can, however, say that their output has equal prices provided the value of that part of constant capital which is not consumed is added to the product)—yield the *same surplus-value*, the same surplus of price

over the price of the capital outlay. Ricardo moreover is the first to draw attention to the fact that capitals of equal size are by no means of equal organic composition. The difference in this composition he defined in the way traditional since Adam Smith, namely as circulating and fixed capital, that is, he saw only the differences arising from the process of circulation.

He certainly does not directly say that it is a *prima facie* contradiction of the law of value that capitals of unequal organic composition, which consequently set unequal amounts of immediate labour in motion, produce commodities of the same value and yield the same surplus-value (which he identifies with profit). On the contrary he begins his investigation of value by assuming capital and a general rate of profit. He identifies *cost-price* with *value* from the very outset, and does not see that from the very start this assumption is a *prima facie* contradiction of the law of value. It is only on the basis of this assumption—which contains the main contradiction and the real difficulty—that he comes to a particular case, *changes in the level of wages*, their rise or fall. For the rate of profit to remain uniform the rise or fall in wages, to which corresponds a fall or rise in profit, must have unequal effects on capitals of different organic composition. If wages rise, then profits fall, and also the prices of commodities in whose production a relatively large amount of fixed capital is employed. Where the opposite is the case, the results are likewise opposite. Under these Circumstances, therefore, the "*exchangeable values*" of the various commodities are not determined by the labour-time required for their respective production. In other words, this definition of an equal rate of profit (and Ricardo arrives at it only in individual cases and in this roundabout way) yielded by capitals of different organic composition *contradicts* the law of value or, as Ricardo says, constitutes an *exception* to it, whereupon Malthus rightly remarks

that in the progress of ||783| industry, the rule becomes the exception and the exception the rule.[a] The contradiction itself is not clearly expressed by Ricardo, namely, not in the form: although one of the commodities contains more unpaid labour than the other—for the amount of unpaid labour depends on the amount of paid labour, that is, the amount of immediate labour employed provided the rate of exploitation of the workers is equal—they nevertheless yield equal values, or the same surplus of unpaid over paid labour. The contradiction however occurs with him in a particular form: in certain cases, *wages*, variations in wages, affect the cost-price (he says, the exchangeable values) of commodities.

Equally, differences in the time of turnover of capital—whether the capital remains in the process of production (even if not in the labour process) or in circulation for a longer period, requiring not more work, but more time for its turnover—these differences have just as little effect on the equality of profit, and this again contradicts (is, according to Ricardo, an *exception* to) the law of value.

He has therefore presented the problem very one-sidedly. Had he expressed it in a general way, he would also have had a general solution.

But his great contribution remains: Ricardo has a notion that there is a difference between value and cost-price, and, in certain cases, even though he calls them *exceptions* to the law of value, he formulates the contradiction that capitals of unequal organic composition (that is, in the last analysis, capitals which do not exploit the same amount of living labour) yield equal surplus-value (profit) and—if one disregards the fact that a portion of the fixed capital enters into the labour process without entering into the process that creates value—equal values, commodities of equal value (or rather [of equal] *cost-price*, but he confuses this).

[b) Torrens's Confusion in Defining the Value of Labour and the Sources of Profit]

As we have seen,[b] *Malthus* uses this [the contradiction described by Ricardo] in order to deny the validity of the Ricardian law of value.

At the very beginning of his book, *Torrens* takes this discovery of Ricardo as his point of departure, not, however, to solve the problem, but to present the "phenomenon" as the law of the phenomenon.

> Supposing that capitals of different degrees of durability are employed: "If a woollen and a silk manufacturer were each to employ a capital of £2000 and if the former were to employ £1,500 in durable machines, and £500 in wages and materials; while the latter employed only £500 in durable machines, and £1,500 in wages and materials... Supposing that a tenth of these fixed capitals is annually consumed, and that the rate of profit is ten per cent, then, as the results of the woollen manufacturer's capital of £2,000, must, to give him this profit, be £2,200, and as the value of his fixed capital has been reduced by the progress of production from £1,500 to £1,350, the goods produced must sell for £850. And, in like manner, as the fixed capital of the silk manufacturer is by the process of production reduced one-tenth, or from £500 to £450, the silks produced must, in order to yield him the *customary rate of profit* upon his whole capital of £2,000, sell for £1,750 ... when capitals equal in amount, but of different degrees of durability, are employed, the articles produced, *together with the residue of capital, in one occupation*, will be equal in exchangeable value to the things produced, and the residue of capital, *in another occupation*" ([R. Torrens, *An Essay on the Production of Wealth*, London, 1821,] pp. 28-29).

Here the phenomenon manifested in competition is merely mentioned, registered. Similarly a *"customary*

rate of profit" is presupposed without explaining how it comes about, or even the feeling that this ought to be explained.

> "*Equal capitals*, or, in other words, *equal quantities of accumulated labour, will often put in motion different quantities of immediate labour;* but neither does this furnish any exception to our general principle" (loc. cit., pp. 29-30),

namely, to the fact that the value of the product plus the residue of the capital not consumed, yield equal values, or, what is the same thing, equal profits.

The merit of this passage does not consist in the fact that Torrens here merely registers the phenomenon once again without explaining it, but in the fact that he defines the difference by stating that equal capitals set in motion unequal quantities of living labour, though he immediately spoils it by declaring it to be a "special" case. If the value is equal to the labour worked up, embodied in a commodity, then it is clear that—if the commodities are sold at their value—the surplus-value contained in them can only be equal to the unpaid, or surplus labour, which they contain. But this surplus labour—given the same rate of exploitation of the worker—cannot be equal in the case of capitals which put in motion different quantities of immediate labour, whether it is the immediate production process or the period of circulation which is the cause of this difference. It is therefore to Torrens's credit that he expresses this. What does he conclude from it? That here ||784| within capitalist production the law of value suddenly changes. That is, that the law of value, which is abstracted from capitalist production, contradicts capitalist phenomena. And what does he put in its place? Absolutely nothing but the crude, thoughtless, verbal expression of the phenomenon which has to be explained.

(that is, precisely when exchange-value in general, the product as commodity, is hardly developed at all, and consequently when there is no law of value either)

> "*the total quantity of labour, accumulated and immediate, expended on production*, is that [...] which [...] determines the quantity of one commodity which shall be received for a given quantity of another. When *stock* has *accumulated*, when *capitalists became a class distinct from labourers*, [...] when the person who undertakes any branch of industry, does not perform his own work, but advances subsistence and materials to others, then it is the *amount of capital*, or the *quantity of accumulated labour* expended in production, [...] which determines the exchangeable power of commodities" (op. cit., pp. 33-34).

> "As long as [these] two capitals [are] equal [the law of competition, always tending to equalise the profits of stock, will keep] their products of equal [...] value, *however we may vary the quantity of immediate labour which they put in motion*, or which *their products may require* [...] if we render these capitals unequal in amount, [the same law must render] their products of unequal value, though the total quantity of labour expended upon each, should be precisely equal" (op. cit., p. 39).

> "... after the *separation of capitalists and labour[ers*], it is [...] the *amount of capital*, or quantity of accumulated labour, and not as *before this separation*, the sum of accumulated and immediate labour, expended on production, which determines the exchangeable value..." (loc. cit., pp. 39-40).

Here again, he merely states the phenomenon that capitals of equal size yield equal profits or that the cost-price of commodities is equal to the price of the capital advanced plus the average profit; there is at the same time

a hint that—since equal capitals put in motion different quantities of immediate labour—this *phenomenon* is, *prima facie*, inconsistent with the determination of the value of commodities by the amount of labour-time embodied in them. The remark [made by Torrens] that this phenomenon of capitalist production only manifests itself when capital comes into existence—[when] the classes of capitalists and workers [arise, and] the objective conditions of labour acquire an independent existence as capital—is tautology.

But *how* the separation of the [factors necessary] for the production of commodities—into capitalists and workers, capital and wage-labour—upsets the law of value of commodities is merely "inferred" from the uncomprehended phenomenon.

Ricardo sought to prove that, apart from certain exceptions, the separation between capital and wage-labour does not change anything in the determination of the value of commodities. Basing himself on the exceptions noted by Ricardo, Torrens rejects the law. He reverts to Adam Smith (against whom the Ricardian demonstration is directed) according to whom the value of commodities was determined by the labour-time embodied in them "in that early period" when men confronted one another simply as owners and exchangers of goods, but not when capital and property in land have been evolved. This means (as I observed in Part I) that the law which applies to commodities *qua* commodities, no longer applies to them once they are regarded as capital or as products of capital, or as soon as there is, in general, an advance from the commodity to capital. On the other hand, the product wholly assumes the form of a commodity only—as a result of the fact that the entire product has to be transformed into exchange-value and that also all the ingredients necessary for its production enter it as commodities—in other words it wholly becomes a commodity only with the development and on

the basis of capitalist production. Thus the law of value is supposed to be valid for a type of production which produces no commodities (or produces commodities only to a limited extent) and not to be valid for a type of production which is based on the product as a commodity. The law itself, as well as the commodity as the general form of the product, is abstracted from capitalist production and yet it is precisely in respect of capitalist production that the law is held to be invalid.

The proposition regarding the influence of the separation of "capital and labour" on the determination of value—apart from the tautology that capital cannot determine prices so long as it does not as yet exist—is moreover a quite superficial translation of a fact manifesting itself on the surface of capitalist production. So long as each person works himself with his own tools and sells his product himself <but in reality, the necessity to sell products on a ||785| social scale never coincides with production carried on with the producer's own means of production>, *his* costs comprise the cost of both the tools and the *labour* he performs. *The cost to the capitalist consists in the capital he advances*—in the sum of values he expends on production—*not in labour, which he does not perform*, and which only costs *him* what he pays for it. This is a very good reason for the capitalists to calculate and distribute the (social) surplus-value amongst themselves according to the size of their capital outlay and not according to the quantity of immediate labour which a given capital puts in motion. But it does not explain where the surplus-value—which has to be distributed and is distributed in this way—comes from.

Torrens adheres to Ricardo insofar as he maintains that the value of a commodity is determined by the quantity of labour, but he declares that [it is] only the "*quantity of accumulated labour*" expended upon the production of

commodities which determines their value. Here, however, Torrens lands himself in a fine mess.

For example, the value of woollen cloth is determined by the *accumulated labour* contained in the loom, the wool, etc., and the wages, which constitute the ingredients of its production, *accumulated labour*, which, in this context, means nothing else but *embodied labour*, materialised labour-time. However, once the woollen cloth is ready and production is over, the immediate labour expended on the woollen cloth has likewise been transformed into accumulated or materialised labour. Then why should the value of the loom and of the wool be determined by the materialised labour (which is nothing but immediate labour embodied in an object, in a result, in a useful thing) they contain, and the value of the woollen cloth not be so determined? If the woollen cloth in turn becomes a component part of production in say dyeing or tailoring, then it is "accumulated labour", and the value of the coat is determined by the wages of the workers, their tools and the woollen cloth, the value of which is determined by the "accumulated labour" contained in it. If I regard a commodity as *capital*, that means in this context as a condition of production, then its value resolves itself into immediate labour, which is called "accumulated labour" because it exists in a materialised form. On the other hand, if I regard the same commodity as a commodity, as a product and result of the [production] process, then it is definitely not determined by the labour which is accumulated in it, but by the labour accumulated in its conditions of production.

It is indeed a fine vicious circle to seek to determine the value of a commodity by the value of the capital, since the value of the capital is equal to the value of the commodities of which it is made up.

James Mill is right as against this fellow when he says:

> "*Capital is commodities*. If the value of commodities, then, depends upon the value of capital, it depends upon the value of commodities…" [James Mill, *Elements of Political Economy*, London, 1821, p. 74].

One thing more is to be noted here. Since [according to Torrens] the value of a commodity is determined by the value of the capital which produces it, or, in other words, by the quantity of labour, the labour accumulated and embodied in this capital, then only two possibilities ensue.

The commodity contains: first, the value of the fixed capital used up; second, the value of the raw material or the quantity of labour contained in the fixed capital and raw material; third, the quantity of labour which is materialised in the money or in the commodities which function as wages.

Now there are two [possibilities]:

The "accumulated" labour contained in the fixed capital and raw material remains the same after the process of production as it was before. As far as the third part of the "accumulated labour" advanced is concerned, the worker replaces it by his "immediate labour", that is, the "immediate labour" added to the raw material, etc., represents just as much accumulated labour in the commodity, in the product, as was contained in the wages. Or it represents more. If it represents more, the commodity contains more accumulated labour than the capital advanced did. Then profit arises precisely out of the surplus of accumulated labour contained in the commodity over that contained in the capital advanced. And the *value* of ||786| the commodity is determined, as previously, by the quantity of labour (accumulated plus immediate) contained in it (in the commodity the latter type of labour likewise constitutes accumulated, and no longer immediate, labour. It is

immediate labour in the production process, and accumulated labour in the product).

Or [i.e., in the first case] immediate labour only represents the quantity [of labour] embodied in the wage, is only an equivalent of it. (If it were less than this, the point to be explained would not be why the capitalist makes a profit but how it comes about that he makes no loss.) Where does the profit come from in this case? Where does the surplus-value, i.e., the excess of the value of the commodity over the value of the component parts of production, or over that of the capital outlay, arise? Not in the production process itself—so that merely its realisation takes place in the process of exchange, or in the circulation process—but in the exchange process, in the circulation process. We thus come back to Malthus and the crude mercantilist conception of "profit upon expropriation". And it is this conception at which Mr. Torrens consistently arrives, although he is, on the other hand, sufficiently inconsistent to explain this *payable value* not by means of an inexplicable fund dropped down from the skies, namely, a fund which provides not only an equivalent for the commodity, but a surplus over and above this equivalent, and is derived from the means of the purchaser, who is always able to pay for the commodity above its value without selling it above its value—thus reducing the whole thing to thin air. Torrens, who is not as consistent as Malthus, does not have recourse to such a fiction, but, on the contrary, asserts that "effectual demand"—the sum of values paid for the product—arises from *supply* alone, and is therefore likewise a commodity; and thus, since the two sides are both buyers and sellers, it is impossible to see how they can mutually cheat one another to the same extent.

> "The effectual demand for any commodity is always determined, and under any given rate of profit, is constantly commensurate with the quantity of the ingredients of capital, or of the

> things required in its production, which consumers may be able and willing to offer in exchange for it" (Torrens, *An Essay on the Production of Wealth*, London, 1821, p. 344).
>
> "*... increased supply is the one and only cause of increased effectual demand*" (op. cit., p. 348).

Malthus, who quotes this passage from Torrens, is quite justified in protesting against it(*Definitions in Political Economy*, London, 1827, p. 59).[c]

But the following passages about *production costs*, etc., demonstrate that Torrens does indeed arrive at such absurd conclusions.

> "*Market price*" (Malthus calls it "purchasing value") "must always include the customary rate of profit for the time being; [but] *natural price*, consisting of the *cost of production* or, in other words, of *the capital expended* in raising or fabricating commodities, cannot include the rate of profit" ([Torrens], op. cit., p. 51).
>
> "The farmer [...] expends one hundred quarters of corn in cultivating his fields, and obtains in return one hundred and twenty quarters. In this case, twenty quarters, being the excess of produce above expenditure, constitute the farmer's profit; but it would be absurd to call this excess, or profit, a part of the expenditure"... Likewise "the master manufacturer [...] obtains in return a quantity of finished work. This finished work must possess a higher *exchangeable value* than the materials etc." (loc. cit., pp. 51-53).
>
> "Effectual demand consists in the power and inclination, *on the port of consumers* to give for commodities, either by immediate or circuitous barter, *some greater portion*[d] of all the ingredients of capital than their production costs" (op. cit., p. 349).

120 quarters of corn are most certainly more than 100 quarters. But—if one merely considers the use-value and the process it goes through, that is, in reality, the vegetative or physiological ||787| process, as is the case here—it would be wrong to say, not indeed, with regard to the 20 quarters, but with regard to the elements which go to make them up, that they do not enter into the *production process*. If this were so, they could never emerge from it. In addition to the 100 quarters of corn—the seeds—various chemical ingredients supplied by the manure, salts contained in the soil, water, air, light, are all involved in the process which transforms 100 quarters of corn into 120. The transformation and absorption of the elements, the ingredients, the conditions—the expenditure of nature, which transforms 100 quarters into 120—takes place in the *production process* itself and the elements of these 20 quarters enter into this process itself as physiological "expenditure", the result of which is the transformation of 100 quarters into 120.

Regarded merely from the standpoint of use-value, these 20 quarters are not mere profit. The inorganic components have been merely assimilated by the organic components and transformed into organic material. Without the addition of matter—and this is the physiological expenditure—the 100 qrs. would never become 120. Thus it can in fact be said even from the point of view of mere use-value, that is, regarding corn as corn—what enters into corn in inorganic form, as *expenditure*, appears in *organic* form, as the actual result, the 20 quarters, i.e., as the surplus of the corn harvested over the corn sown.

But these considerations, in themselves, have as little to do with the question of profit, as if one were to say that lengths of wire which, in the production process, are stretched to a thousand times the length of the metal from which they are fabricated, yield a thousandfold *profit* since their length has been increased

a thousandfold. In the case of the wire, the length has been increased, in the case of corn, the quantity. But neither increase in length nor increase in quantity constitutes *profit*, which is applicable solely to exchange-value, although exchange-value manifests itself in a surplus product.

As far as exchange-value is concerned, there is no need to explain further that the value of 90 quarters of corn can be equal to (or greater than) the value of 100 quarters, that the value of 100 quarters can be greater than that of 120 quarters, and that of 120 quarters greater than that of 500.

Thus, on the basis of one example which has *nothing* to do with profit, with the surplus in the *value* of the product over the *value* of the capital outlay. Torrens draws conclusions about profit. And even considered physiologically, as use-value, his example is wrong since, in actual fact, the 20 quarters of corn which form the surplus product already exist in one way or another in the production process, although in a different form.

Finally, Torrens blurts out the brilliant old conception that profit is profit upon expropriation.

[c) Torrens and the Conception of Production Costs]

One of Torrens's merits is that he has at all raised the controversial question: what are *production costs*. Ricardo continually confuses the *value* of commodities with their *production costs* (insofar as they are equal to the cost-price) and is consequently astonished that *Say*, although he believes that prices are determined by production costs, draws different conclusions. Malthus, like Ricardo, asserts that the price of a commodity is determined by the cost of production, and, like Ricardo, he includes the profit in the production

costs. Nevertheless, he defines value in a different way, not by the quantity of labour contained in the commodity, but by the quantity of labour it can command.

The ambiguities surrounding the concept of *production costs* arise from the very nature of capitalist production.

Firstly: The *cost to the capitalist* of the commodity (he produces) is, naturally, what it *costs him*. It costs him nothing—that is, he expends no value upon it—apart from the value of the *capital advanced*. If he lays out £100 on raw materials, machinery, wages, etc., in order to produce the commodity, it costs him £100, neither more nor less. Apart from the labour embodied in these advances, apart from the *accumulated labour* that is contained in the capital expended and determines the value of the commodities expended [in the production process], it costs him no labour. What the *immediate labour* costs him is the wages he pays for it. Apart from these wages, the immediate labour costs him nothing, and apart from immediate labour he advances nothing except the value of the constant capital.

||788| It is in this sense that Torrens understands production costs, and this is the sense in which every capitalist understands them when he calculates his profit, whatever its rate may be.

Production costs are here equated with the *outlay* of the capitalist, which is equal to the value of the capital advanced, i.e., to the quantity of the labour contained in the advanced commodities. Every economist, including Ricardo, uses *this* definition of production costs, whether they are called *advances* or *expenses*, etc. This is what Malthus calls the *producing price* as opposed to the purchaser's price. The transformation of surplus-value into *profit* corresponds to this definition of *expenses*.

Secondly: According to the first definition, the production costs are the price which the capitalist *pays* for the manufacture of the commodity during the process of production, therefore they are what the commodity costs *him*. But what the production of a commodity *costs* the capitalist and what the *production of the commodity itself costs*, are two entirely different things. The labour (both materialised and immediate) which the capitalist *pays* for the production of the commodity and the labour which is necessary in order to *produce* the commodity are entirely different. Their difference constitutes the difference between the value advanced and the value earned; between the purchase price of the commodity for the capitalist and its selling price (that is, if it is sold at its value). If this difference did not exist, then neither money nor commodities would ever be transformed into capital. The source of profit would disappear together with the surplus-value. The *production costs of the commodity itself* consist of the value of the capital consumed in the process of its production, that is, the quantity of materialised labour embodied in the commodity plus the *quantity of immediate labour* which is expended upon it. The *total amount* of "materialised" plus "immediate labour" consumed in it constitutes the *production costs of the commodity itself*. The commodity can only be produced by means of the industrial consumption of this quantity of materialised and immediate labour. This is the pre-condition for its emergence out of the process of production as a *product*, as a *commodity* and even as a use-value. And no matter how profit and wages may vary, these immanent production costs of the commodity remain the same so long as the technological conditions of the real labour process remain the same, or, what amounts to the same thing, as long as there is no variation in the existing development of labour productivity. In this sense, the *production costs of a commodity* are equal to

its *value*. The living labour expended upon the commodity and the living labour paid by the capitalist are two different things. From the outset, therefore, the production costs of a commodity to the capitalist (his advances) differ from the *production costs of the commodity* itself, its value. The excess of its value (that is, what the commodity itself costs) over and above the value of the capital expended (that is, what it costs the capitalist) *constitutes the profit which, therefore, results not from selling the commodity above its value, but from selling it above the value of the advances the capitalist made*.

The production costs thus defined, *the immanent production costs* of the commodity, which are equal to its value, i.e., to the total amount of labour-time (both objectified and immediate) required for its production, remain the fundamental condition for its production and remain unchangeable so long as the productive power of labour remains unchanged.

Thirdly. I have however previously shown that, in each separate branch of production or particular occupation, the capitalist does not by any means sell his commodities—which are also the product of a particular trade, occupation or sphere of production—at the value contained in them, and that, therefore, the amount of profit is not identical with the amount of surplus-value, surplus labour or unpaid labour embodied in the commodities he sells. On the contrary, he can, on the average, only realise as much surplus-value in the commodity as devolves on it as the product of an aliquot part of the social capital. If the social capital comes to 1,000 and the capital in a particular ||789| branch of production amounts to 100, and if the total amount of surplus-value (hence of the surplus product in which that surplus-value is embodied) equals 200, that is, 20 per cent, then the capital of 100 in this particular branch of production would sell its commodity for 120, whatever

the value of the commodity, whether it is 120, or less or more; whether, therefore, the unpaid labour contained in his commodity forms a fifth of the labour expended upon it or not.

This is the *cost-price*, and when one speaks of *production costs* in the proper sense (in the economic, capitalist sense), then the term denotes the value of the capital outlay plus the value of the average profit.

It is clear that, however much the cost-price of an individual commodity may diverge from its value, it is determined by the *value* of the total product of the social capital. It is through the equalisation of the profits of the different capitals that they are connected with one another as aliquot parts of the aggregate social capital, and as such aliquot parts they draw dividends out of the common funds of surplus-value (surplus product), or surplus labour, or unpaid labour. This does not alter in any way the value of the commodity; it does not alter the fact that, whether its cost-price is equal to, or greater or smaller than, its value, it [the commodity] can never be produced *without its value* being produced, that is to say, without the total amount of materialised and immediate labour required for its production being expended upon it. This quantity of labour, not only of paid, but of unpaid labour, must be expended on it, and nothing in the general relationship between capital and labour is altered by the fact that in some spheres of production a part of the unpaid labour is appropriated by "brother capitalists" and not by the capitalist who puts the labour in motion in that particular branch of industry. Further, it is clear that whatever the relation between the value and the cost-price of a commodity, the latter will always change, rise or fall, in accordance with the changes of value, that is to say, the quantity of labour required for the production of the commodity. It is furthermore clear that part of the profit must always represent surplus-value, unpaid labour, embodied in the commodity itself, because, on the

basis of capitalist production, every commodity contains more labour than has been paid by the capitalist putting that labour in motion. Some part of the profit may consist of labour not worked up in a commodity produced in the particular branch of industry, or resulting from the given sphere of production; but, then, there is some other commodity, resulting from some other sphere of production, whose cost-price falls below its value, or in whose cost-price less unpaid labour is accounted for, paid for, than is contained in it.

It is clear, therefore, that although the cost-prices of most commodities must differ from their values, and hence the "costs of production" of these commodities must differ from the total quantity of labour contained in them, nevertheless, those costs of production and those cost-prices are not only determined by the values of the commodities and confirm the law of value instead of contradicting it, but, moreover, that the very existence of costs of production and cost-prices can be comprehended only on the basis of value and its laws, and becomes a meaningless absurdity without that premise.

At the same time one perceives how economists who, on the one hand, observe the actual phenomena of competition and, on the other hand, do not understand the relationship between the law of value and the law of cost-price, resort to the fiction that capital, not labour, determines the value of commodities or rather that there is no such thing as value.

||790| Profit enters into the *production costs of commodities;* it is rightly included in the "natural price" of commodities by Adam Smith, because, in conditions of capitalist production, the commodity—in the long run, on the average—is not brought to the market if it does not yield the cost-price, which is equal to the value of the advances plus the average profit. Or, as Malthus puts it—although he does not understand the origin of profit, its

real cause—because the profit, and therefore the cost-price which includes it, is (on the basis of capitalist production) a condition of the *supply* of the commodity. To be produced, to be brought to the market, the commodity must at least fetch that market price, that cost-price to the seller, whether its own value be greater or smaller than that cost-price. It is a matter of indifference to the capitalist whether his commodity contains more or less unpaid labour than other commodities, if into its price enters as much of the general stock of unpaid labour, or the surplus product in which it is fixed, as every other equal quantity of capital will draw from that common stock. In this respect, *the capitalists are "communists*". In competition, each naturally tries *to secure more than the average profit, which is only possible if others secure less*. It is precisely as a result of this struggle that the average profit is established.

A part of the surplus-value realised in profit, i.e., that part which assumes the form of interest on capital laid out (whether borrowed or not), appears to the capitalist as *outlay*, as *production cost* which he has as a *capitalist*, just as profit in general is the immediate aim of capitalist production. But in interest (especially on borrowed capital), this appears also as the actual precondition of his production.

At the same time, this reveals the significance of the distinction between the phenomena of production and of distribution. Profit, a phenomenon of distribution, is here simultaneously a phenomenon of production, a condition of production, a necessary constituent part of the process of production. How absurd it is, therefore, for John Stuart Mill and others to conceive bourgeois forms of production as absolute, but the bourgeois forms of distribution as historically relative, hence transitory. I shall return to this later. The form of production is simply the form of distribution seen from a different point of

view. The specific features—and therefore also the specific limitation—which set bounds to bourgeois distribution, enter into bourgeois production itself, as a determining factor, which overlaps and dominates production. The fact that bourgeois production is compelled by its own immanent laws, on the one hand, to develop the productive forces as if production did not take place on a narrow restricted social foundation, while, on the other hand, it can develop these forces only within these narrow limits, is the deepest and most hidden cause of crises, of the crying contradictions within which bourgeois production is carried on and which, even at a cursory glance, reveal it as only a transitional, historical form.

This is grasped rather crudely but none the less correctly by Sismondi, for example, as a contradiction between production for the sake of production and distribution which makes absolute development of productivity impossible.

2. James Mill [Futile Attempts to Resolve the Contradictions of the Ricardian System]

||791| James Mill, *Elements of Political Economy*, London, 1821 (second ed., London, 1824).

Mill was the first to present Ricardo's theory in systematic form, even though he did it only in rather abstract outlines. What he tries to achieve is formal, logical consistency. The *disintegration* of the Ricardian school "therefore" begins with him. With the master what

is new and significant develops vigorously amid the "manure" of contradictions out of the contradictory phenomena. The underlying contradictions themselves testify to the richness of the living foundation from which the theory itself developed. It is different with the disciple. His raw material is no longer reality, but the new theoretical form in which the master had sublimated it. It is in part the *theoretical disagreement of opponents of the new theory* and in part the *often paradoxical relationship of this theory to reality* which drive him to seek *to refute* his opponents and *explain away* reality. In doing so, he entangles himself in contradictions and with his attempt to solve these he demonstrates the beginning *disintegration of the theory* which he dogmatically espouses. On the one hand, Mill wants to present bourgeois production as the absolute form of production and seeks therefore to prove that its real contradictions are only apparent ones. On the other hand, [he seeks] to present the Ricardian theory as the absolute theoretical form of this mode of production and to disprove the theoretical contradictions, both the ones pointed out by others and the ones he himself cannot help seeing. Nevertheless in a way Mill advances the Ricardian view beyond the bounds reached by Ricardo. He supports the same historical interests as Ricardo—those *of industrial capital against landed property—and* he draws the practical conclusions from the theory—that of rent for example—more ruthlessly, against the institution of landed property which he would like to see more or less directly transformed into State property. This conclusion and this side of Mill do not concern us here.

[a) Confusion of surplus-value with Profit]

Ricardo's disciples, just as Ricardo himself, fail to make a distinction between *surplus-value* and *profit*. Ricardo only becomes aware of the problem as a result of the different influence which the variation of wages can

exercise on capitals of different organic composition (and he considers different organic composition only with regard to the circulation process). It does not occur to them that, even if one considers not capitals in different spheres of production but *each* capital separately, insofar as it does not consist exclusively of variable capital, i.e., of capital laid out in wages only, rate of profit and rate of surplus-value are different things, that therefore profit must be a more developed, specifically modified form of surplus-value. They perceive the difference only insofar as it concerns equal profits—average rate of profit—for capitals in different spheres of production and differently composed of fixed and circulating ingredients. In this connection Mill only repeats in a vulgarised form what Ricardo says in Chapter I, "On Value" [*Principles of Political Economy*]. The only new consideration which occurs to him in relation to this question is this:

Mill remarks that "*time as such*" (i.e. not labour-time, but simply *time*) produces nothing, consequently it does not produce "value". How does this fit in with the law of value according to which capital, because it requires a longer time for its returns [to the manufacturer], yields, as Ricardo says, the same profit as capital which employs more immediate labour but returns more rapidly? One perceives that Mill deals here only with a quite individual case which, expressed in general terms, would read as follows. How does the cost-price, and the average rate of profit which it presupposes ||792 | (and therefore also equal value of commodities containing very unequal quantities of labour), fit in with the fact that profit is nothing but a part of the labour-time contained in the commodity, the part which is appropriated by the capitalist without an equivalent? On the other hand, in the case of the average rate of profit and cost-price, criteria which are quite extrinsic and external to the determination of value are advanced, for example, that the capitalist whose capital takes longer to make its return

because, as in the case of wine, it must remain longer in the production process (or, in other cases, longer in the circulation process) must be compensated for the time in which he cannot use his capital to produce value. But how can the time in which no value is produced create value?

Mill's passage concerning "*time" reads:*

> "... time does nothing.[e] How then can it create value? [f] Time is a mere abstract term. It is a word, a sound. And it is the very same logical absurdity, to talk of an abstract unit measuring value, and of time creating it" (*Elements of Political Economy*, second ed., London, 1824, p. 99).

In reality, what is involved in the *grounds for compensation* between capitals in different spheres of production is not the production of surplus-value, but its *division between different categories of capitalists*. Viewpoints are here advanced which have nothing whatever to do with *the determination of value as such*. Everything which compels capital in a particular sphere of production to renounce conditions which would produce a *greater amount of surplus-value* in other spheres, is regarded here as *grounds for compensation*. Thus, if more fixed and less circulating capital is employed, if more constant than variable capital is employed, if it must remain longer in the circulation process, and finally, if it must remain longer in the production process without being subjected to the labour process—a thing which always happens when breaks of a technological character occur in the production process in order to expose the developing product to the working of natural forces, for example, wine in the cellar. Compensation ensues in all these cases and the last mentioned is the one which Mill seizes on, thus tackling the difficulty in a very circumscribed and isolated way. A part of the surplus-value produced in other spheres is transferred to the capitals more unfavourably

placed with regard to the direct exploitation of labour, simply in accordance with their size (competition brings about this equalisation so that each separate capital appears only as an aliquot part of social capital). The phenomenon is very simple as soon as the relationship of surplus-value and profit as well as the equalisation of profit in a general rate of profit is understood. If, however, it is to be explained directly from the law of value without any intermediate link, that is, if the profit which a particular capital yields in a particular branch of production is to be explained on the basis of the surplus-value contained in the commodities it produces, in other words on the basis of the *unpaid labour* (consequently also on the basis of the labour directly expended in the production of the commodities), this is a much more difficult problem to solve than that of squaring the circle, which can be solved algebraically. It is simply an attempt to present that which does not exist as in fact existing. But it is in this *direct* form that Mill seeks to solve the problem. Thus no solution of the matter is possible here, only a sophistic explaining away of the difficulty, that is, only *scholasticism*. Mill begins this process. In the case of an *unscrupulous blockhead* like *McCulloch*, this manner assumes a swaggering shamelessness.

Mill's solution cannot be better summed up than it is in the words of *Bailey:*

> "The author[g] [...] has made a curious attempt to resolve the *effects of time* into *expenditure of labour*. 'If,' says he," (p. 97 of the *Elements*, second ed., 1824) "'the wine which is put in the cellar is increased in value one-tenth by being kept a year, one-tenth more of labour may be correctly *considered* as having been expended upon it.'... a fact can be correctly considered as having taken ||793| place only when it really has taken place. In the instance adduced, no human being, by the terms of the supposition, has

> approached the wine, or spent upon it a moment or a single motion of his muscles" ([Samuel Bailey,] *A Critical Dissertation on the Nature, Measures, and Causes of Value etc.*, London, 1825, pp. 219-20).

Here the contradiction between the general law and further developments in the concrete circumstances is to be resolved not by the discovery of the connecting links but by directly subordinating and immediately adapting the concrete to the abstract.

This moreover is to be brought about by *a verbal fiction*, by changing the correct names of things. (These are indeed "verbal disputes", they are "verbal", however, because real contradictions which are not resolved in a real way, are to be solved by phrases.) When we come to deal with McCulloch, it will be seen that this manner, which appears in Mill only in embryo, did more to undermine the whole foundation of the Ricardian theory than all the attacks of its opponents.

Mill resorts to this type of argument only when he is quite unable to find any other expedient. But as a rule his method is quite different. Where the economic relation—and therefore also the categories expressing it—includes contradictions, opposites, and likewise the unity of the opposites, he emphasises the aspect of the *unity* of the contradictions and denies the *contradictions*. He transforms the unity of opposites into the direct identity of opposites.

For example, a commodity conceals the contradiction of use-value and exchange-value. This contradiction develops further, presents itself and manifests itself in the duplication of the commodity into commodity and money. This duplication appears as a process in the metamorphosis of commodities in which selling and buying are different aspects of a single process and each act of this process simultaneously includes its

opposite. In the first part of this work, I mentioned that Mill disposes of the contradiction by concentrating only on the *unity* of buying and selling; consequently he transforms circulation into barter, then, however, smuggles categories borrowed from circulation into [his description of] barter. See also what I wrote there about Mill's *theory of money*, in which he employs similar methods.

In James Mill we find the unsatisfactory divisions—"Production", "Distribution", "Interchange", "Consumption".

[b) Mill's Vain Efforts to Bring the Exchange Between Capital and Labour into Harmony with the Law of Value]

Wages:

> "Instead, however, of waiting till the commodity is produced, and [...] the value of it is realised, it has been found to suit *much better* the convenience of the labourers to receive their share *in advance*. The shape under which it has been found most convenient for all parties that they should receive it, is that of wages. When the share of the commodity which belongs to the labourer has been all received in the shape of wages, the commodity itself belongs to the capitalist, he having, in reality, bought the share of the labourer and paid for it in advance" ([James Mill, *Elements of Political Economy*, second ed., 1824, p. 41] *Elémens d'économie politique*, traduit de l'anglais par J. T. Parisot, Paris, 1823, pp. 33-34).[h]

It is highly characteristic of Mill that, just as *money* for him is an expedient invented for convenience' sake, *capitalist relations* are likewise invented for the same reason. These specific social relations of production are invented for "convenience'" sake. Commodities and

money are transformed into capital because the worker has ceased to engage in exchange as a commodity producer and commodity owner; instead of selling commodities he is compelled to sell his labour itself (to sell directly his labour-power) as a commodity to the owner of the objective conditions of labour. This separation is the prerequisite for the relationship of capital and wage-labour in the same way as it is the prerequisite for the transformation of money (or of the commodities by which it is represented) into capital. Mill presupposes the *separation*, the *division;* he presupposes the relationship of capitalist and wage-worker, in order to present as a matter of convenience the situation in which the worker sells no *product*, no commodity, but his share of the product (in the production of which he has no say whatsoever and which proceeds *independently* of him) before he has produced it. ||794| Or, more precisely, the worker's share of the product is paid for—transformed into money—by the capitalist before the capitalist has disposed of, or realised, the product in which the worker has a share.

This view is aimed at circumventing the specific difficulty, along with the specific form of the relationship. Namely, the difficulty of the Ricardian system according to which the worker sells his *labour* directly (not his labour-power). The [difficulty can be expressed as follows]: the value of a commodity is determined by the labour-time required for its production; how does it happen that this law of value does not hold good in the greatest of all exchanges, which forms the foundation of capitalist production, the exchange between capitalist and labourer? Why is the quantity of materialised labour received by the worker as wages not equal to the quantity of immediate labour which he gives in exchange for his wages? To shift this difficulty, Mill transforms the labourer into a commodity owner who sells the capitalist his *product, his*

commodity—since his *share* of the product, of the commodity, is *his* product, his *commodity*, in other words, a value produced by him in the form of a particular commodity. He resolves the difficulty by transforming the transaction between capitalist and labourer, which includes the contradiction between materialised and immediate labour, into a common transaction between commodity owners, owners of materialised labour.

Although by resorting to this artifice Mill has indeed made it impossible for himself to grasp the specific nature, the specific features, of the proceedings which take place between capitalist and wage-worker, he has not reduced the difficulty in any way, but has increased it, because the peculiarity of the result is now no longer comprehensible in terms of the peculiarity of the commodity which the worker sells (and the specific feature of this commodity is that its use-value is itself a factor of exchange-value, its use therefore creates a greater exchange-value than it itself contained).

According to Mill, the worker is a seller of commodities like any other. For example, he produces 6 yards of linen. Of these 6, 2 yards are assumed to be equal to the value of the labour which he has added. He thus sells 2 yards of linen to the capitalist. Why then should he not receive the full value of the 2 yards, like any other seller of 2 yards of linen, since he is now a seller of linen like any other? The contradiction with the law of value now expresses itself much more crassly than before. He does not sell a particular commodity differing from all other commodities. He sells labour embodied in a product, that is, a commodity which as such is not specifically different from any other commodity. If now the price of a yard [of linen]—that is, the quantity of money containing the same amount of labour-time as the yard [of linen]—is 2 shillings, why then does the worker receive 1 shilling instead of 2? But if the worker received 2 shillings, the capitalist would not secure any surplus-value and the

whole Ricardian system would collapse. We would have to return to profit upon expropriation. The 6 yards would cost the capitalist 12 shillings, i.e., their value, but he would sell them for 13 shillings.

Or linen, and any other commodity, is sold at its value when the capitalist sells it, but *below* its value when the worker sells it. Thus the law of value would be destroyed by the transaction between worker and capitalist. And it is precisely in order to avoid this that Mill resorts to his fictitious argument. He wants to transform the relationship between worker and capitalist into the ordinary one between sellers and buyers of commodities. But why should not the ordinary law of value of commodities apply to this transaction? [It may be said however that] the worker is paid "*in advance*". Consequently this is not after all the ordinary relationship of buying and selling commodities. What does this "payment in advance" mean in this context? The worker who, for example, is paid weekly, "*advances*" his labour and produces the share of the weekly product which belongs to him—his weekly labour embodied in a product—(both according to Mill's assumption and in practice) before he receives "payment" from the capitalist. The capitalist "advances" raw materials and machines, the worker the "labour", and as soon as the wages are paid at the end of the week, he *sells* a commodity, his commodity, his share of the total commodity, to the capitalist. But, Mill will say, the capitalist pays the 2 yards ||795| of linen due to the worker, i.e., turns them into cash, transforms them into money, before he himself sells the 6 yards and transforms them into money. But what if the capitalist is working on orders, if he sells the goods before he produces them? Or to express it more generally, what difference does it make to the worker—in this case the seller of 2 yards of linen—if the capitalist buys these 2 yards from him in order to sell them again, and not to consume them? Of what

concern are the buyer's motives to the seller? And how can motives, moreover, modify the law of value? To be consistent, each seller would have to dispose of his commodities below their value, for he is disposing of his products to the buyer in the form of a use-value, whereas the buyer hands over value in the form of money, the cash form of the product. In this case, the linen manufacturer would also have to *underpay* the yarn merchant and the machine manufacturer and the colliery owner and so on. For they sell him commodities which he only intends to transform into money, whereas he pays them "in advance" the *value* of the component parts entering into his commodity not only before the commodity is sold, but before it is even produced. The worker provides him with linen, a commodity in a marketable form, in contrast to other sellers whose commodities, machinery, raw materials, etc., have to go through a process before they acquire a saleable form. It is a pretty kettle of fish for such an inveterate Ricardian as Mill, according to whom purchase and sale, supply and demand are identical terms, and money a mere formality, if the transformation of the commodity into money—and nothing else takes place when the 2 yards of linen are sold to the capitalist—includes the fact that the seller has to sell the commodity below its value, and the buyer, with his money, has to buy it above its value.

[Mill's argument] therefore amounts to the absurdity that, in this transaction, the buyer buys the commodity in order to resell it at a profit and that, consequently, the seller must sell the commodity *below* its value—and with this the whole theory of value falls to the ground. This second attempt by Mill to resolve a Ricardian contradiction, in fact destroys the whole basis of the system, especially its great merit that it defines the relationship between capital and wage-labour as a direct exchange between hoarded and immediate labour, that is, that it grasps its specific features.

In order to extricate himself, Mill would have to go further and to say that it is not merely a question of the simple transaction of the purchase and sale of commodities; that, on the contrary, insofar as it involves payment or the turning into money of the worker's product, which is equal to his share of the total product, the relationship between worker and capitalist is similar to that prevailing between the lending capitalist or discounting capitalist (the moneyed capitalist) and the industrial capitalist. It would be a pretty state of affairs to presuppose interest-bearing capital—a special form of capital—in order to deduce the general form of capital, capital which produces profit; that is, to present a derived form of surplus-value (which already presupposes capital) as the cause of the appearance of surplus-value. In that case, moreover, Mill would have to be consistent and in place of all the definite laws concerning wages and the rate of wages elaborated by Ricardo, he would have to derive them from the rate of interest, and if he did that it would indeed be impossible to explain what determines the rate of interest, since, according to the Ricardians and all other economists worth naming, the rate of interest is determined by the rate of profit.

The proposition concerning the "*share*" of the worker in his own product is in fact based on this: If one considers not simply the isolated transaction between capitalist and worker, but the exchange which takes place between, both in the course of reproduction, and if one considers the real content of this process instead of the form in which it appears, then it is in fact evident that what the capitalist pays the worker (as well as the part of capital which confronts the worker as constant capital) is nothing but a part of the worker's product itself and, indeed, a part which does not have to be transformed into money, but which has already been sold, has already been transformed into money, since wages are paid in money, not in kind. Under slavery, etc., the false appearance

brought about by the previous transformation of the product into money—insofar as it is expended on wages—does not arise; it is therefore obvious that what the slave receives as wages is, in fact, nothing that the slave-owner "advances" him, but simply the portion of the realised labour of the slave that returns to him in the form of means of subsistence. The same applies to the capitalist. He "advances" something only in appearance. Since he pays for the work only after it has been done, he advances or rather ||796| *pays* the worker as wages a part of the product produced by the worker and already transformed into money. A part of the worker's product which the capitalist appropriates, which is *deducted beforehand*, returns to the worker in the form of wages—as an advance on the new product, if you like.

It is quite unworthy of Mill to cling to this *appearance* of the transaction in order to explain the transaction itself (this sort of thing might suit McCulloch, Say or Bastiat). The capitalist can advance the worker nothing except what he has taken previously from the worker, i.e., what has been advanced to him by other people's labour. Malthus himself says that what the capitalist advances consists not "of cloth" and "other commodities", but "*of labour*", that is, precisely of that which he himself does not perform. He advances the worker's own labour to the worker.

However, the whole paraphrase is of no use to Mill, for it does not help him to avoid resolving the question: how can the exchange between hoarded and immediate labour (and this is the way the exchange process between capital and labour is perceived by Ricardo and by Mill and others after him) correspond to the law of value, which it contradicts directly? One can see from the following passage that it is of no help to Mill:

> "*What determines* the share of the labourer, or the portion in which the commodity, or commodity's worth, is divided between him

> and the capitalist. Whatever the share of the labourer, such is the rate of wages... It is very evident, that the share of the two parties is the subject of a *bargain* between them [...] All bargains, when left in freedom, are determined by competition, and the terms alter according to the *state of supply and demand*" ([Mill, *Elements*, pp. 41-42; Parisot,] pp. 34-35).

The worker is paid for his "share" of the product. This is said in order to transform him into an ordinary seller of a *commodity* (a product) vis-à-vis the capitalist and to eliminate the specific feature of this relationship. [According to Mill] the worker's share of the product is *his* product, that is, the share of the product in which his newly applied labour is realised. But this is not the case. On the contrary, we now ask which is his "share" of the product, that is, *which* is *his* product? For the part of the product which belongs to him is *his* product, which he sells. We are now told that *his* product and his *product* are two quite different things. We must establish, first of all, what his product (in other words, his share of the product, that is, the part of the product that belongs to him) is. His product is thus a mere phrase, since the quantity of value which he receives from the capitalist is not determined by his own production. Mill has thus merely removed the difficulty one step. He has got no farther than he was at the beginning.

There is a *quid pro quo* here. Supposing that the exchange between capital and wage-labour is a continuous activity—as it is if one does not isolate and consider one individual act or element of capitalist production—then the worker receives a part of the value of his product which he has replaced, plus that part of the value which he has given the capitalist for nothing. This is repeated continuously. Thus he receives in fact continuously a portion of the value of his own product, a part of, or a share in, the value he has produced. Whether his wages are high or low is not determined by his share

of the product but, on the contrary, his share of the product is determined by the amount of his wages. He actually receives a share of the value of the product. But the share he receives is determined by the value of labour, not conversely, the value of labour-by his share in the product. The value of labour, that is, the labour-time required by the worker for his own reproduction, is a definite magnitude; it is determined by the sale of his labour power to the capitalist. This virtually determines his share of the product as well. It does not happen the other way round, that his share of the product is determined first, and as a result, the amount or value of his wages. This is precisely one of Ricardo's most important and most emphasised propositions, for otherwise the price of labour would determine the prices of the commodities it produces, whereas, according to Ricardo, the price of labour determines nothing but *the rate of profit*.

And how does Mill determine the "share" of the product which the worker receives? By demand and supply, competition between workers and capitalists. What Mill says applies to all commodities:

> "...It is very evident, that the share" (read: in the value of commodities) "of the two Parties" (seller and buyer) "is the subject of a bargain between ||797| them [...] All bargains, when left in freedom, are determined by competition, and the terms alter according to the state of supply and demand" [Mill, *Elements*, pp. 41-42; Parisot, pp. 34-35].

Here we have the gist of the matter. [This is said by] Mill who, as a zealous Ricardian, proves that although demand and supply can, to be sure, determine the vacillations of the market price either above or below the *value* of the commodity, they cannot determine that value itself, that these are meaningless words when applied to the determination of value, for the determination of demand and supply presupposes the

determination of value. In order to determine the value of labour, i.e., the *value* of a commodity, Mill now resorts to something for which Say had already reproached Ricardo: determination by demand and supply.

But even more.

Mill does not say which of the two parties represents supply and which demand—which is of no importance to the matter here. Still, since the capitalist offers money and the worker offers something for the money, we will assume that demand is on the side of the capitalist and supply on that of the worker. But what then does the worker "sell"? What does he supply? His "share" of the product which does not [yet] exist? But it is just his share in the future product which has to be determined by competition between him and the capitalist, by the "demand and supply" relationship. One of the sides of this relationship—supply—cannot be something which is itself the result of the struggle between demand and supply. What then does the worker offer for sale? His *labour?* If this is so, then Mill is back again at the original difficulty he sought to evade, the *exchange between hoarded and immediate labour*. And when he says that what is happening here is not the exchange of equivalents, or that the value of labour the commodity sold, is not measured by "the labour-time" itself, but by competition, by demand and supply, then he admits that Ricardo's theory breaks down, that his opponents are right, that the determination of the value of commodities by labour-time is false, because the value of the most important commodity, labour itself, contradicts this law of value of commodities. As we shall see later, *Wakefield* says this quite explicitly.

Mill can turn and twist as he will, he cannot extricate himself from the dilemma. At best, to use his own mode of expression, competition causes the workers to offer a *definite quantity of labour* for a price which, according

to the relation of demand and supply, is equal to a larger or smaller part of the product which they will produce with this quantity of labour. That this *price*, this *sum of money*, which they receive in this way, is equal to a larger or smaller part of the value of the product to be manufactured, does not, however, as a matter of course, in any way prevent a *definite amount of living labour* (immediate labour) from being exchanged for a greater or lesser amount of *money* (accumulated labour, existing moreover in the form of exchange-value). It does not therefore prevent the exchange of unequal quantities of labour, that is, of less hoarded labour for more immediate labour. This was precisely the phenomenon that Mill had to explain and he wished to clear the problem up without violating the law of value. The phenomenon is not changed in the slightest, much less explained, by declaring that the proportion in which the worker exchanges his immediate labour for money *is expressed* at the end of the production process in the ratio of the value paid him to the value of the product he has produced. The original *unequal* exchange between capital and labour thus only *appears* in a different form.

How Mill boggles at direct exchange between labour and capital—which Ricardo takes as his point of departure without any embarrassment at all—is also shown by the way he proceeds. Thus he says:

||798| "Let us begin by supposing that there is a certain number of capitalists [...] that there is also a certain number of labourers; and that *the proportion*, in *which the commodities produced ore divided between them, has fixed itself at some particular point*."

> "Let us next suppose that the labourers have increased in number [...] without any increase in the *quantity of capital*... To prevent their being left out of employment" the additional labourers "have but one resource; they must endeavour to supplant those who have

> forestalled the employment; that is, they must *offer to work* for a *smaller reward*. Wages, therefore, decline. If we suppose ... that the quantity of capital has increased, while the number of labourers remains the same, the effect will be reversed... if the ratio which capital and population bear to one another remains the same, wages will remain the same" ([Mill, *Elements*, pp. 42-44 passim; Parisot,] p. 35 et seq. passim).

What has to be determined is "the proportion in which they" (capitalists and workers) "divide the product". In order to establish this by competition, Mill *assumes* that this proportion "*has fixed itself* at some particular point". In order to establish the "share" of the worker by means of competition, he *assumes* that it is determined *before* competition "at some particular point". Moreover, in order to demonstrate how competition alters the division of the product which is *determined* "at some particular point", he assumes that workers "*offer to work for a smaller reward*" when their number grows more rapidly than the quantity of capital. Thus he says here outright that what the workers supply consists of "*labour*" and that they offer this labour for a "*reward*", i.e., money, a definite quantity of "hoarded labour". In order to avoid direct exchange between labour and capital, direct *sale of labour*, he has recourse to the theory of the "division of the product". And in order to explain the proportion in which the product is divided, he presupposes *direct sale* of labour for money, so that this original exchange between capital and labour is later *expressed* in the proportion of [the share] the worker receives of his product, and not that the original exchange is determined by his share of the product. And finally, if the number of workers and the amount of capital remain the same, then the "wage rate" will remain *the same*. But what is the wage rate when demand and supply balance? That is the point which has to be explained. It is not explained by declaring that this

rate is *altered* when the equilibrium between demand and supply is upset. Mill's tautological circumlocutions only demonstrate that he feels there is a snag here in the Ricardian theory which he can only overcome by abandoning the theory altogether.

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Against Malthus, Torrens, and others, against the determination of the value of commodities by the value of capital, Mill remarks correctly:

> "Capital *is* commodities. If the value of commodities, then, depends upon the value of capital, it depends upon the value of commodities; the value of commodities depends upon itself" ([James Mill,] *Elements of Political Economy*, London, 1821, p. 74).

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<Mill does not gloss over the contradiction between capital and labour. The *rate of profit* must be high so that the social class which is free from immediate labour may be important; and for that purpose wages must be relatively low. It is necessary that the mass of the labourers should not be masters of their own time and slaves of their own needs, so that human (social) capacities can develop freely in the classes for which the working class serves merely as a basis. The working class represents lack of development in order that other classes can represent human development. This in fact is the contradiction in which bourgeois ||799| society develops, as has every hitherto existing society, and this is declared to be a *necessary law*, i.e., the existing state of affairs is declared to be absolutely reasonable.

> "All the blessings which flow from that grand and distinguishing attribute of our nature, its *progressiveness*, the power of advancing continually from one degree of knowledge, one degree of command over the means of

> happiness, to another, seem, in a great measure, to depend upon the existence of a class of men which have *their time at their commend;* that is, who are rich enough to be freed from all solicitude with respect to the means of living in a certain state of enjoyment. It is by this class of men that knowledge is cultivated and enlarged; it is also by this class that it is diffused; it is this class of men whose children receive the best education, and are prepared for all the higher and more delicate functions of society, as legislators, judges, administrators, teachers, inventors in all the arts, and superintendents in all the more important works, by which the dominion of the human species is extended over the powers of nature... to enable a considerable proportion of the community to enjoy the advantages of *leisure*, the *return to capital* must *evidently be large*" ([James Mill, *Elements*, pp. 64-65, 65-66; Parisot,] pp. 65, 67).>

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In addition to the above.

Mill, as a Ricardian, defines labour and capital simply as *different forms* of labour.

> "... Labour and Capital [...] the one, *immediate labour*, ... the other, *hoarded* labour" ([James Mill, *Elements,*] first Engl. ed., London, 1821, p. 75).

In another passage he says:

> "... of these two *species of labour*, two things are to be observed ... they are *not always paid according to the same rate*" ([James Mill, *Elements*, p.100;] Parisot, p.100).

Here he comes to the point. Since what pays for immediate labour is always hoarded labour, capital, the fact that it is not paid at *the same rate* means nothing more than that more immediate labour is exchanged for

less hoarded labour, and that this is "*always*" the case, since otherwise hoarded labour would not be exchanged as "capital" for immediate labour and would not only fail to yield the *very high interest* desired by Mill, but would yield none at all. The passage quoted thus contains the admission (since Mill along with Ricardo regards the exchange between capital and labour as a direct exchange of hoarded and immediate labour), that they are exchanged in *unequal proportions*, and that in respect of them the law of value—according to which equal quantities of labour are exchanged for one another—breaks down.

[c) Mill's Lack of Understanding of the Regulating Role of Industrial Profit]

Mill advances as a basic law what Ricardo actually assumes in order to develop his theory of rent.

> "All other profits ... must sink to the level of agricultural profits" ([*Elements,*] second ed., London, 1824, p. 78).

This is fundamentally wrong, since capitalist production develops first of all in industry, not in agriculture, and only embraces the latter by degrees, so that it is only as a result of the advance of capitalist production that agricultural profits become equalised to industrial profits and only as a result of this equalisation do the former influence the latter. Hence it is in the first place wrong historically. But secondly, once this equalisation is an accomplished fact—that is, presupposing a level of development of agriculture in which capital, in accordance with the rate of profit, flows from industry to agriculture and vice versa—it is equally wrong to state that from this point on *agricultural profits* become the regulating force, instead of the influence being reciprocal. Incidentally, in order to develop the concept of rent, Ricardo himself assumes the

opposite. The price of corn rises; as a result agricultural *profits* do not *fall* (as long as there are no new supplies either from inferior land or from additional, less productive investments of capital)—for the rise in the price of corn more than compensates the farmer for the loss he incurs by the rise in wages following on the rise in the price of corn—but *profits fail* in industry, where no such compensation or over-compensation takes place. Consequently the *industrial profit rate* falls and capital which yields this lower rate of profit can therefore be employed on inferior lands. This would not be the case if the old profit rate prevailed. Only because the decline of industrial profits thus reacts on the agricultural profit yielded by the worse land, does agricultural profit generally fall, ||800| and a part of it is detached in the form of rent from the profit the better land yields. This is the way Ricardo describes the process, according to which, therefore, industrial profit regulates profit in agriculture.

If agricultural profits were to rise again as a result of improvements in agriculture, then industrial profits would also rise. But this does not by any means exclude the fact that—as originally the *decline in industrial profit* causes a decline in agricultural profit—a *rise* in industrial profit may bring about a rise in agricultural profit. This is always the case when industrial profit rises *independently of the price of corn* and of other agricultural necessaries which enter into the wages of the workers, that is, when it rises as a result of the fall in the value of commodities which constitute constant capital, etc. Rent moreover cannot possibly be explained if industrial profit does *not* regulate agricultural profit. The *average rate of profit* in industry is established as a result of equalisation of the profits of the different capitals and the consequent transformation of the values into *cost-prices*. These cost-prices—the value of the capital advances plus average profit—are

the *prerequisite* received by agriculture from industry, since the equalisation of profits cannot take place in agriculture owing to landownership. If then the value of agricultural produce is higher than the cost-price determined by the *industrial average profit* would be, the excess of this value over the cost-price constitutes the absolute rent. But in order that this excess of value over cost-price can be measured, the *cost-price* must be the primary factor; it must therefore be imposed on agriculture as a law by industry.

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A passage from Mill must be noted:

> "That which is *productively* consumed is always capital. This is a property of productive consumption which deserves to be particularly marked... Whatever is consumed productively *becomes* capital" ([James Mill, *Elements*, p. 217;] Parisot, pp. 241-42).

[d)] Demand, supply, Over-Production

> "A demand means, the *will to purchase*, and the *means of purchasing*... The equivalent" (means of purchasing) "which a man brings is the *instrument* of demand. The extent of his demand is measured by the extent of his equivalent. The demand and the equivalent are convertible terms, and one may be substituted for the other... His" (a man's) "will, therefore, to *purchase*, and his *means of purchasing*, in other words his demand, is exactly equal to the amount of what he has produced and does not mean to consume" ([James Mill, *Elements*, pp. 224-25;] Parisot, pp. 252-53).

One sees here how the direct identity of demand and supply (hence the impossibility of a general glut) is proved. The product constitutes demand and the extent of this demand, moreover, is measured by the value of the product. The same abstract "reasoning" with which Mill

demonstrates that buying and selling are but identical and do not differ; the same tautological phrases with which he shows that prices depend on the amount of money in circulation; the same methods used to prove that supply and demand (which are only more developed forms of buyer and seller) must balance each other. The logic is always the same. If a relationship includes opposites, it comprises not only opposites but also the *unity* of opposites. It is therefore a *unity without opposites*. This is Mill's logic, by which he eliminates the "contradictions".

Let us begin with *supply*. What I supply is *commodities*, a unity of use-value and exchange-value, for example, a definite quantity of iron worth £3 (which is equal to a definite quantity of labour-time). According to the assumption I am a manufacturer of iron. I supply a use-value—iron—and I supply a value, namely, the value expressed in the price of the iron, that is, in £3. But there is the following little difference. A definite quantity of iron is *in reality* placed on the market by me. The *value* of the iron, on the other hand, exists only as its *price* which must first be realised by the buyer of the iron, who represents, as far as I am concerned, the *demand* for iron. The demand of the seller of iron consists in the demand for the *exchange-value* of the iron, which, although it is embodied in the iron, is not realised. It is possible for the same *exchange-value* to be represented by very different quantities of iron. The supply of use-value and the supply of value to be realised are thus by no means identical, since quite different quantities of use-value ||801| can represent the same quantity of exchange-value.

The same value—£3—can be represented by one, three or ten tons of iron. The quantity of iron (use-value) which I supply and the quantity of value I supply, are by no means proportionate to one another, since the latter quantity can remain unchanged no matter how much the

former changes. No matter how large or small the quantity of iron I supply may be, it is assumed that I always want to realise the value of the iron, which is *independent* of the actual quantity of iron and in general of its existence as a use-value. The value supplied (but not yet realised) and the quantity of iron which is realised, do not correspond to each other. No grounds exist therefore for assuming that the possibility of selling a commodity at its value corresponds in any way to the quantity of the commodity I bring to market. For the buyer, my commodity exists, above all, as use-value. He buys it as such. But what he needs is a definite quantity of iron. His need for iron is just as little determined by the quantity produced by me as the value of my iron is commensurate with this quantity.

It is true that the man who buys has in his possession merely the *converted form* of a commodity—money—i.e., the commodity in the form of exchange-value, and he can act as a buyer only because he or others have earlier acted as sellers of commodities which now exist in the form of money. This, however, is no reason why he should reconvert his money into my commodity or why his need for my commodity should be determined by the quantity of it that I have produced. Insofar as he wants to buy my commodity, he may want either a smaller quantity than I supply, or the entire quantity, but *below* its value. His demand does not have to correspond to my supply any more than the quantity I supply and the value at which I supply it are identical.

However, the inquiry into demand and supply does not belong here.

Insofar as I supply iron, I do not demand iron, but money. I supply a particular use-value and demand its value. My supply and demand are therefore as different as use-value and exchange-value. Insofar as I supply a *value* in the iron itself, I demand the *realisation of this*

value. My supply and demand are thus as different as something conceptual is from something real. Further, the quantity I supply and its value stand in no proportion to each other. The demand for the quantity of use-value I supply is however measured not by the value I wish to realise, but by the quantity which the buyer requires at a definite price.

Yet another passage from Mill:

> "But it is evident, that each man contributes to the general supply the whole of what he has produced and does not mean to consume. In whatever shape any part of the annual produce has come into his hands, if he proposes to consume no part of it himself, he wishes to dispose of the whole; and the whole, therefore, becomes matter of supply: if he consumes a part, he wishes to dispose of all the rest, and all the rest becomes matter of supply" ([James Mill, *Elements*, p. 225;] Parisot, p. 253).

In other words, this means nothing else but that all commodities placed on the market constitute supply.

> "As every man's demand, therefore, is equal to that part of the annual produce, or of the property generally, which he has to dispose of"

<Stop! His demand is equal to the *value* (when it is realised) of the portion of products which he wants to dispose of. What he wants to dispose of is a certain quantity of use-value; what he wishes to have is the *value* of this use-value. Both things are anything but identical>

> "and each man's supply is exactly the same thing"

<by no means; his demand does not consist in what he wishes to dispose of, i.e., the product, but in the demand for the value of this product; on the other hand, his supply

really consists of this product, whereas the value is only conceptually supplied>

> "the supply and demand of every individual are of necessity equal" ([James Mill, *Elements*, pp. 225-26;] Parisot, pp. 253-54).

(That is, the *value* of the commodity supplied by him and the *value* which he asks for it but does not possess are equal; *provided* he sells the commodity at its value, the value supplied (in the form of commodity) and the value received (in the form of money) are equal. But it does not follow that, because he wants to sell the commodity at its value, he actually does so. A quantity of commodities is supplied by him, and is on the market. He tries to get the value for it.)

> "Demand and supply are terms ||802| related in a peculiar manner. A commodity which is supplied, is always, at the same time, a commodity which is the *instrument* of demand. A commodity which is the instrument of demand, is always, at the same time, a commodity added to the stock of supply. Every commodity is always *at one and the same time* matter of demand and matter of supply. Of two men who perform an exchange, the one does not come with only a supply, the other with only a demand; each of them comes with both a demand and a supply. The *supply which he brings* is the instrument of his demand; and his demand and supply are of course exactly equal to one another."

> "But if the demand and supply of every individual are always equal to one another, and demand and supply of all the individuals in the nation, taken aggregately, must be equal. Whatever, therefore, be the amount of the annual produce, it never can exceed the amount of the annual demand. The whole of the annual produce is divided into a number of shares equal to that of the people to whom it is distributed. The whole of the demand is equal to as much of the whole of the shares as the

> owners do not keep for their own consumption. But the whole of the shares is equal to the whole of the produce" ([James Mil], *Elements*, pp. 226-27;] Parisot, pp. 254-55).

Once Mill has *assumed* that supply and demand are equal for each individual, then the whole long-winded excursus to the effect that supply and demand are also equal for *all* individuals, is quite superfluous.

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How Mill was regarded by contemporary Ricardians can be seen, for instance, from the following:

> "There is thus at least one case" <writes Prévost with regard to Mill's definition of the value of labour> "in which the price" (i.e., the price of labour) "is permanently determined by supply and demand relations" (Prévost, *Réflexions sur le systéme de Ricardo* [p. 187] appended to *Discours sur l'économie politique*. Par McCulloch, traduit par G-me Prévost, Genève-Paris, 1825).

In the work cited, *McCulloch* says that Mill's object is:

> "... to give a strictly *logical deduction* of the principles of Political Economy.... Mr. Mill touches on almost every topic of discussion: He has disentangled and simplified the most complex and difficult questions; has placed the various principles which compose the science in their natural order" (op. cit., p. 88[i]).

One can conclude from his logic that he takes over the quite illogical Ricardian structure, which we analysed earlier, and naïvely regards it on the whole as a "natural order".

[e)] Prévost [Rejection of some of the Conclusions of Ricardo and James

Mill. Attempts to Prove That a Constant Decrease of Profit Is Not Inevitable]

As far as the above-mentioned *Prévost* is concerned, who made Mill's exposition of the Ricardian system the basis of his *Réflexions*, a number of his objections are founded on sheer, callow misunderstanding of Ricardo.

But the following remark about rent is noteworthy:

> "One may entertain a doubt about the influence of *inferior land* on the determination of prices, if one bears in mind, as one should, its *relative area*" (Prévost, op. cit., p. 177).

Prévost cites the following from *Mill*, which is also important for my argument, since Mill himself here thinks of one example where *differential rent* arises because the new demand, the additional demand, is supplied by a better, not a worse soil, consequently, the ascending line.

> "*Mr. Mill* uses this comparison: Suppose that all the land cultivated in the country were of one uniform quality, and yielded the same return to every portion of the capital employed upon it, with the exception of one acre: that acre, we shall suppose, yields six times as much as any other acre (Mill, *Elements*, second ed., p. 71). It is certain—as Mr. Mill demonstrates—that the farmer who rents this last acre, cannot increase his rent" (that is, cannot make a higher profit than the other farmers; it is very badly expressed) "and that five-sixths of the product will go to the landowner."

(Thus there is here differential rent without the lowering of the rate of profit and without any increase in the price of agricultural products) (this must happen all the more frequently, since the *situation* ||803| must *improve* continuously with the industrial development of the country, the growth of its means of communication and the increase in population,

irrespective of the natural fertility, and the relatively better location has the same effect as [greater] natural fertility.)

> "But had the ingenious author thought of making a similar supposition in the opposite case, he would have realised that the result would be different. Let us suppose that all the land was of equal quality with the exception of one acre of inferior land. The profit on the capital on this single acre amounted to one-sixth of the profit yielded by every other acre. Does he believe that the profit on several million acres would be reduced to one-sixth of their accustomed level? It is probable that this solitary acre would have no effect at all, because the various products (particularly corn), when they come onto the market, would not be markedly affected by such a *minute* amount. That is why we say that the assertions of Ricardo's supporters about the effect of inferior soil should be modified by taking the *relative areas* of land of different quality into account" (Prévost, loc. cit., pp. 177-78).

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<*Say*, in his notes to Ricardo's book translated by Constancio, makes only *one* correct remark about *foreign trade*. Profit can also be made by cheating, one person gaining what the other loses. Loss and gain within a *single* country cancel each other out. But not so with trade between different countries. And even according to Ricardo's theory, three days of labour of one country can be exchanged against one of another country—a point *not* noted by Say. Here the law of value undergoes essential modification. The relationship between labour days of different countries may be similar to that existing between skilled, complex labour and unskilled, simple labour within a country. In this case, the richer country exploits the poorer one, even where the latter gains by the

exchange, as John Stuart Mill explains in his *Some Unsettled Questions*.>

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[Prévost says the following about the relationship between agricultural and industrial profit:]

> "We admit that, in general, the rate of agricultural profit determines that of industrial profit. But at the same time we must point out that the latter also reacts of necessity on the former. If the price of corn rises to a certain point, industrial capitals turn to agriculture, and necessarily depress agricultural profits" (loc. cit., p. 179).

The point is correct, but is conceived in a much too limited sense. See above.[j]

The Ricardians insist that profit can fall only as a result of a rise in wages, because necessaries rise in price with [the growth of] population, this, however, is a consequence of the accumulation of capital, since inferior soils are cultivated as a result of this accumulation. But Ricardo himself admits that profits can also fall when capitals increase faster than population, when the competition of capitals causes wages to rise. This [corresponds to] Adam Smith's theory. Prévost says:

> "When the growing demand of the capitals increases the price of the labourer, that is, *wages*, does it not then appear that there are no grounds for asserting that the growing supply of these selfsame capitals never causes the price of capitals, in other words, *profit*, to fall?" (op. cit., p. 188.)

Prévost builds on the false Ricardian foundation which can only explain falling profits as a result of decreasing surplus-value, and therefore decreasing surplus labour, and consequently as a result of greater value or *rising cost of the necessaries consumed by the worker*, that is,

increasing value of labour, although the real wages of the labourer may not rise but decline; on this basis he seeks to prove that a continual decline in profits is not inevitable.

He says *first:*

> "To begin with, the state of prosperity increases profits"

(namely, agricultural profits, for the population increases with the state of prosperity, the demand for agricultural produce therefore grows and consequently the farmer makes additional profits)

> "and this happens long before new land is taken into cultivation. The increased area under cultivation does indeed affect rent and decreases profits. But although profit is thus directly decreased, it still remains as high as before the advance... Why is the cultivation of land of inferior quality undertaken at certain times? It is undertaken in the expectation of a profit which is *at least equal to the customary profit*. And what circumstance can lead to the realisation of such a profit on this kind of land? Increase ||804| of population. It presses on ... the existing means of subsistence, thereby raising the prices of food (especially of corn) so that agricultural capitals obtain high profits. The other capitals pour into agriculture, but since the soil is limited in area, this competition has its limits and the point is reached when *even higher profits can be made than in trade or manufacture* through the cultivation of inferior soils. If there is a sufficient area of inferior land available, then agricultural profit must be adjusted to the last capitals applied to the land. If one proceeds from the rate of profit prevailing at the beginning of the increasing prosperity" (division of profit into profit and rent), "then it will be found that profit has no tendency to decline. It rises with the increase in the population until agricultural profit rises to such a degree that it can suffer a considerable

> reduction as a result of the cultivation [of new land] without ever sinking below its original rate, or, to be more precise, below the average rate determined by various circumstances" (op. cit., pp. 190-92).

Prévost obviously misunderstands the Ricardian view. As a result of prosperity, the population increases, thus raising the price of agricultural products and hence agricultural profits. (Although it is not easy to see why, if this rise is constant, rents should not be increased after the leases run out and why these additional agricultural profits should not be collected in the form of rent even before the inferior land is cultivated.) But the same rise in [the price of] agricultural produce which causes agricultural profits to go up, increases wages in all industries and consequently brings about a fall in industrial profits. Thus a new rate of profit arises in industry. If at the existing market prices the inferior lands even pay only this *lower rate of profit*, capitals can be transferred to the inferior land. They will be attracted to it by the high agricultural profits and the high market price of corn. As Prévost says, they may, before a sufficient amount of capital has been transferred, even yield higher profits than the industrial profits, which have declined. But as soon as the additional supply is adequate, the market price falls, so that the inferior soils only yield the ordinary industrial profit. The additional amount yielded by the product of the better [soils] is converted into rent. This is the Ricardian conception, whose basic premises are accepted by *Prévost* and from which he reasons. Corn is now dearer than it was before the rise in agricultural profit. But the additional profit which it brought the farmer is transformed into rent. In this way, therefore, profit also declines on the better land to the lower rate of industrial profit brought about by the rise in the price of agricultural produce. There is no reason for assuming that as a consequence profits do not have to fall below their "original rate" if no other modifying circumstances intervene. Other

circumstances *may*, of course, intervene. According to the assumption, after the increase in the price of necessaries, agricultural profit is in any case higher than industrial profit. If, however, as a result of the development of productive power, the part of the workers' necessaries supplied by industry has fallen to such a degree that wages (even though they are paid at their average value) do not rise as much as they would have done without the intervention of these paralysing circumstances, proportionally to the increased [price of] agricultural produce; if, furthermore, the same development of productive power has reduced the prices of the products of the extractive industries, and also of agricultural raw materials which are not used as food (although the supposition is not very likely), industrial profit need not fall, though it would be lower than agricultural profit. A decline of the latter as a result of a transfer of capital to agriculture and the building-up of rent, ||805| would only restore the old rate of profit.

[*Secondly,*] Prévost tries a different approach.

> "Soils of inferior quality ... are only put into cultivation if they yield profits as high as—or even higher than—the profit yielded by industrial capitals. Under these conditions, the price of corn or of other agricultural products often remains very high despite the newly cultivated land. These high prices press on the working population, since rises in wages do not correspond exactly to rises in the prices of the goods used by workers. They are more or less a burden to the whole population, since nearly all commodities are affected by the rise in wages and in the prices of essential goods. This general pressure, linked with the increasing mortality brought about by too large a population, results in a decline in the number of wage-workers and, consequently, in a rise in wages and a decline in agricultural profits. Further development now proceeds in the opposite direction to that taken previously. Capitals are withdrawn from the

> inferior soils and reinvested in industry. But the population principle soon begins to operate once again. As soon as poverty has been ended, the number of workers increases, their wages decline, and profits rise as a consequence. Such fluctuations follow one another repeatedly without bringing about a change in the average rate of profit. Profit may decline or rise for other reasons or as a result of these causes; it may alternately go up and down, and yet it may not be possible to attribute the average rise or fall to the necessity for cultivating new soils. The population is the regulator which establishes the natural order and keeps profit within certain limits" (op. cit., pp. 194-96).

Although confused, this is correct according to the "population principle". It is however not in line with the assumption that agricultural profits rise until the additional supply required by the population has been produced. If this presupposes a constant increase in the prices of agricultural produce, then it leads not to a decrease in population, but to a general lowering of the rate of profit, hence of accumulation, and, consequently, to a decrease of population. According to the Ricardian-Malthusian view, the population would grow more slowly. But Prévost's basis is: that the process would depress wages below their average level, this fall in wages and the poverty of the workers causes the price of corn to fall and hence profits to rise again.

This latter argument, however, does not belong here, for here it is assumed that the value of labour is always paid; that is, that the workers receive the means of subsistence necessary for their reproduction.

This [exposition] of Prévost is important, because it demonstrates that the Ricardian view—along with the view he adopted from Malthus—can indeed explain fluctuations in the rate of profit, but cannot explain (constant) falls in the same without repercussions, for

upon reaching a certain level the rise in corn prices and the drop in profit would force wages below their level, bringing about a violent decrease in the population, and therefore a fall in the prices of corn and other necessaries, and this would lead again to a rise in profits.

3. Polemical Writings

||806| The period between 1820 and 1830 is metaphysically speaking the most important period in the history of English political economy—theoretical tilting for and against the Ricardian theory, a whole series of anonymous polemical works, the most important of which are quoted here, especially in relation to those matters which concern our subject. At the same time, however, it is a characteristic of these polemical writings that all of them, in actual fact, merely revolve around the definition of the concept of value and its relation to capital.

a) ["Observations on certain Verbal Disputes". Scepticism in Political Economy]

Observations on certain Verbal Disputes in Political Economy, particularly relating to Value, and to Demand and Supply, London, 1821.

This is not without a certain acuteness. The title *Verbal Disputes* is characteristic.

Directed in part against Smith and Malthus, but also against Ricardo.

The real sense of this work lies in the following:

> "... disputes ... are entirely owing to the use of words in different senses by different persons; to the disputants looking, like the knights in the story, at different sides of the shield" (*Observations etc.*, London, 1821, pp. 59-60).

This kind of scepticism always heralds the dissolution of a theory, it is the harbinger of a frivolous and unprincipled eclecticism designed for domestic use.

First of all in relation to Ricardo's theory of value:

> "There is an obvious difficulty in supposing that *labour* is what we mentally allude to, when we talk of value or of real price, as opposed to nominal price; for we often want to speak of the *value or price of labour itself*. Where by labour, as the real price of a thing, we mean the labour which *produced* the thing, there is another difficulty besides; for we often want to speak of the *value or price of land;* but land is not produced by labour. This definition, then, will only apply to *commodities*" (op. cit., p. 8).

As far as labour is concerned, the objection to Ricardo is correct insofar as he presents capital as the purchaser of immediate labour and consequently speaks directly of the value of labour, while what is bought and sold is the temporary use of labour-power, itself a product. Instead of the problem being resolved, it is only emphasised here that a problem remains unsolved.

It is also quite correct that "the *value* or *price of land*", which is not produced by labour, appears directly to contradict the concept of value and cannot be derived directly from it. This proposition is [all the more] insignificant when used against Ricardo, since its author does not attack Ricardo's theory of rent in which precisely Ricardo sets forth how the nominal value of land is evolved on the basis of capitalist production and does not contradict the definition of value. The value of land is nothing but the price which is paid for capitalised ground-

rent. Much more far-reaching developments have therefore to be presumed here than can be deduced *prima facie* from the simple consideration of the commodity and its value, just as from the simple concept of productive capital one cannot evolve fictitious capital, the object of gambling on the stock exchange, which is actually nothing but the selling and buying of entitlement to a certain part of the annual tax revenue.

The second objection—that Ricardo transforms value, which is a *relative* concept, into an *absolute* concept—is made the chief point of the attack on the whole Ricardian system in another polemical work (written by Bailey), which appeared later. In considering this latter work, we will also cite relevant passages from the *Observations*.

A very pertinent observation about the source from which capital, which pays labour, arises, is contained in an incidental remark unconsciously made by the author, who on the contrary wants to use it to prove what is said in the following sentence not underlined [by me], namely, that the supply of labour itself constitutes a check on the tendency of labour to sink to its natural price.

> "<*An increased supply of labour is an increased supply of that which is to purchase labour*.> If we say, then, with Mr. Ricardo, that labour is at every moment *tending* to what he calls its natural price, we must only recollect, that the increase made in its supply, in order to *tend* to that, is itself one cause of the counteracting power, which prevents the tendency from being *effectual*" (op. cit., pp. 72-73).

No analysis is possible unless the average price of labour, i.e., the value of labour, is made the point of departure; just as little would it be possible if one failed to take the *value* of commodities in general as the point of

departure. Only on this basis is it possible to understand the real phenomena of price fluctuations.

> ||807| "... it is not meant to be asserted by him" (Ricardo), "that two particular lots of two different articles, as a hat and a pair of shoes, exchange with one another when *those two particular lots* were produced by equal quantities of labour. By '*commodity*', we must here understand '*description of commodity*', not a particular individual hat, pair of shoes, etc. The whole labour which produces all the hats in England is to be considered, to this purpose, as divided among all the hats. This seems to me not to have been expressed at first, and in the general statements of his doctrine" (op. cit., pp. 53-54).
>
> ... for example, Ricardo says that "a portion of the labour of the engineer" who makes the machines (Ricardo, *On the Principles of Political Economy, and Taxation*, third ed., London, 1821, quoted from the *Observations*) is contained, for instance, in a pair of stockings. "Yet the 'total labour' that produced each single pair of stockings, if it is of a single pair we are speaking, includes the *whole* labour of the engineer; not a 'portion'; for one machine makes many pairs, and none of those pairs could have been done without any part of the machine..." (*Observations etc.*, London, 1821, p. 54).

The last passage is based on a misunderstanding. The whole machine enters into the labour process, but only a part of it enters the formation of value.

Apart from this, some things in the remark are correct.

We start with the *commodity*, this specific social form of the product, as the foundation and prerequisite of capitalist production. We take individual products and analyse those distinctions of form which they have as commodities, which stamp them as commodities. In earlier modes of production—preceding the capitalist

mode of production—a large part of the output never enters into circulation, is never placed on the market, is not produced as commodities, and does not become commodities. On the other hand, at that time a large part of the products which enter into production are not commodities and do not enter into the process as commodities. The transformation of products into commodities only occurs in individual cases, is limited only to the surplus of products, etc., or only to individual spheres of production (manufactured products), etc. A whole range of products neither enter into the process as articles to be sold, nor arise from it as such. Nevertheless, the *prerequisite*, the *starting-point*, of the formation of capital and of capitalist production is the development of the product into a commodity, commodity circulation and consequently money circulation within certain limits, and consequently trade developed to a certain degree. It is as such a prerequisite that we treat the commodity, since we proceed from it as the simplest element in capitalist production. On the other hand, the product, the result of capitalist production, is the commodity. What appears as its element is later revealed to be its own product. Only on the basis of capitalist production does the commodity become the general form of the product and the more this production develops, the more do the products in the form of commodities enter into the process as ingredients. The commodity, as it emerges in capitalist production, is different from the commodity taken as the element, the starting-point of capitalist production. We are no longer faced with the individual commodity, the individual product. The individual commodity, the individual product, manifests itself not only as a real product but also as a commodity, as a *part* both really and conceptually of production as a whole. Each individual commodity represents a definite portion of capital and of the surplus-value created by it.

The value of the capital advanced plus the surplus labour appropriated, for example, a value of £120 (if it is assumed that £100 is the value of the capital and £20 that of surplus labour), is, as far as its value is concerned, contained in the total product let us say, in 1,200 yards of cotton. Each yard, therefore, equals £$^{120}/_{1200}$ or $^{1}/_{10}$ of £1 or 2s. It is not the individual commodity which appears as the result of the process, but the mass of the commodities in which the value of the total capital has been reproduced plus a surplus-value. The total value produced divided by the number of products determines the value of the individual product and it becomes a commodity only as such an aliquot part. It is no longer the labour expended on the individual particular commodity (in most cases, it can no longer be calculated, and may be greater in the case of one commodity than in that of another) but a proportional part of the total labour—i.e., the average of the total value [divided] by the number of products—which determines the value of the individual product and establishes it as a commodity. Consequently, the total mass of commodities must also be sold, each commodity at its value, determined in this way, in order to replace the total capital together with a surplus-value. If only 800 out of the 1,200 yards were sold, then the capital would not be replaced, still less would there be a profit. But each yard would *also* have been sold below its value, for its value is determined not in isolation but as an aliquot part of the total product.

|808| "If you call labour a commodity, it is not like a commodity which is first produced in order to exchange, and then brought to market where it must exchange with other commodities according to the respective quantities of each which there may be in the market at the time; labour is *created* at the moment it is brought to market; nay, it is brought to market, before it is created" (op. cit., pp. 75-76).

What is in fact brought to market is not labour, but the labourer. What he sells to the capitalist is not his labour but the temporary use of himself as a working power. This is the immediate object of the contract which the capitalist and the worker conclude, the purchase and sale which they transact.

Where payment is for piece-work, task-work, instead of according to the, time for which the labour-power is placed at the disposal of the employer, this is only another method of determining the time. It is measured by the product, a definite quantity of products being considered as a standard representing the socially necessary labour-time. In many branches of industry in London where piece-work is the rule, payment is thus made by the hour, but disputes often arise as to whether this or that piece of work constitutes "an hour" or not.

Irrespective of the individual form, it is the case not only with regard to piece-work, but in general, that, although labour-power is sold on definite terms before its use, it is only *paid for* after the work is completed, whether it is paid daily, weekly, and so on. Here money becomes the *means of payment* after it has served previously as an abstract means of purchase, because the nominal transfer of the commodity to the buyer is distinct from the actual transfer. The sale of the commodity—labour-power—the legal transfer of the use-value and its actual alienation, do not occur at the same time. The realisation of the price therefore takes place later than the sale of the commodity (see *the first part* of my book, p. 122). It can also be seen that here it is the worker, not the capitalist, who does the advancing, just as in the case of the renting of a house, it is not the tenant but the landlord who advances use-value. The worker will indeed be paid (or at least he may be, if the goods have not been ordered beforehand and so on) before the commodities produced by him have been sold. But *his* commodity, his labour-power, has been consumed industrially, i.e., has been

transferred into the hands of the buyer, the capitalist, before he, the worker, has been paid. And it is not a question of what the buyer of a commodity wants to do with it, whether he buys it in order to retain it as a use-value or in order to sell it again. It is a question of the *direct* transaction between the first buyer and seller.

[Ricardo says in the *Principles:*]

> "In different stages of society, the accumulation of *c a p i t a l* , or of the *means of employing labour*, is more or less rapid, and must in all cases depend on the productive powers of labour. The productive powers of labour are generally greatest where there is an abundance of fertile land" (David Ricardo, *Principles of Political Economy*, third ed., London, 1821, p. 92). [Quoted from *Observations on certain Verbal Disputes in Political Economy etc.*, London, 1821, p. 74.]

[The author of the *Observations* makes] the following remark on this passage of Ricardo's:

> "If, in the first sentence, *the productive powers of labour mean the smallness of that aliquot part of any produce that goes to those whose manual labour produced it*, the sentence is nearly identical, because the *remaining aliquot part is the fund whence capital can*, if the owner pleases, *be accumulated" [Observations*, London, 1821, p. 74].

(This is a tacit admission that from the standpoint of the capitalist "*productive powers of labour* mean the smallness of that aliquot part of any produce that goes to those whose manual labour produced it". This sentence is very nice.)

> "But then this does not generally happen where there is most fertile land" [loc. cit., p. 74].

(This is silly. Ricardo presupposes capitalist production. He does not investigate whether it develops more freely with fertile or relatively unfertile land. Where it exists, it is most productive where land is most fertile.) Just as the social productive forces, the natural productive forces of labour, that is, those labour finds in inorganic nature, appear as the productive power of capital. (Ricardo himself, in the passage cited above, rightly identifies productive power of labour with labour productive of capital, productive of the wealth that commands labour, not of the wealth that belongs to labour. *His expression "capital, or the means of employing labour*" is, in fact, the only one in which he grasps the real nature of capital. He himself is so much the prisoner of a ||809| capitalist standpoint that this conversion, this *quid pro quo*, is for him a matter of course. The objective conditions of labour—created, moreover, by labour itself—raw materials and working instruments, are not *means employed by labour as its means*, but, on the contrary, they are *the means of employing labour*. They are not employed by labour; they employ labour. For them labour is a means by which they are accumulated as capital, not a means to provide products, wealth for the worker.)

> "It does in North America, but that is an artificial state of things"(that is, a capitalistic state of things).
>
> "It does not in Mexico. It does not in New Holland. The productive powers of labour are, indeed, in *another* sense, greatest where there is much fertile land, viz. the power of man, if he chooses it, to raise much *raw produce* in proportion to the whole labour he performs. It is, indeed, *a gift of nature, that men can raise more food than the lowest quantity that they could maintain and keep up the existing population on...*" [loc. cit., pp. 74-75].

(This is the basis of the doctrine of the *Physiocrats*. The physical basis of surplus-value is this "gift of nature",

most obvious in agricultural labour, which originally satisfied nearly all human needs. It is not so in manufacturing labour, because the product must first be sold as a commodity. The Physiocrats, the first to analyse surplus-value, understand it in its natural form.)

> "... but '*surplus produce*' (the term used by Mr. Ricardo, page 93), generally means the excess of the whole price of a thing above that part of it which goes to the labourers who made it... "

(the fool does not see that where the land is fertile, the part of the price of the produce that goes to the labourer, although it may be small, buys a sufficient quantity of necessaries; the part that goes to the capitalist is great)

> "a point, which is settled by human arrangement, and not fixed by nature" (loc. cit., pp. 74-75).

If the last, concluding passage has any meaning at all, it is that "surplus produce" in the capitalist sense must be strictly distinguished from the productivity of industry as such. The latter is of interest to the capitalist only insofar as it realises profit for him. Therein lies the narrowness and limitation of capitalist production.

> "When the demand for an article exceeds [...] that which is, with reference to the present rate[k] of supply, the effectual demand; and when, consequently, the price has risen, either additions can be made to the rate of supply at the same rate of cost of production as before; in which case they will be made till the article is brought to exchange at the same rate as before with other articles [...]: or, 2ndly, *no* possible additions can be made to the former rate of supply: and then the price, which has risen, will not be brought down [...], but continue to afford, as Smith says, a greater rent, or profits, or wages (or all three), to the particular land, capital, or labour, employed in producing the article, [...] or, 3rdly, the additions which can be made will require proportionally *more* land,

> or capital, or labour, or all three, than were required *for the periodical production" (note these words*) "of the amount previously supplied. Then the addition will not be made till the demand is strong enough, 1st, to pay this increased price for the addition; 2ndly, to pay the same increased price upon the old amount of supply. For the person who has produced the additional quantity will be no more able to get a high price for it, than those who produced the former quantity... There will then be *surplus profits* in this trade... The *surplus profits* will be either in the hands of some particular producers only ... or, if the *additional* produce cannot be *distinguished* from the rest, will be a surplus shared by all... People will give something to belong to a trade in which *surplus profit* can be made... What they so give, is *rent*" (op. cit., pp. 79-81).

Here, one need only say that in this book rent is for the first time regarded as the general form of consolidated *surplus profit*.

||810| "'Conversion of revenue into capital' is another of these *verbal* sources of controversy. One man means by it, that the capitalist lays out part of the profits he bas made by his capital, in making additions to his capital, instead of spending it for his private use, as he might else have done: another man means by it, that a person lays out as capital something which he never got as profits, or any capital of his own, but received as rent, wages, salary" (op. cit., pp. 83-84).

This last passage—"another of these *verbal sources* of controversy. One man means by it ... another man means by it... "—testifies to the method used by this smart alec.

b) "An Inquiry into those Principles..." [The Lack of Understanding of the Contradictions of

the capitalist Mode of production Which Cause Crises]

An Inquiry into those Principles, respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus etc., London, 1821.

A Ricardian work. Good against Malthus. Demonstrates the infinite narrow-mindedness to which the perspicacity of these fellows is reduced as soon as they examine not landed property, but capital. Nevertheless, it is one of the best of the polemical works of the decade mentioned.

> "If the capital employed in cutlery is increased as 100:101, and can only produce an increase of cutlery in the same proportion, the degree in which it will increase the command which its producers have over things in general, no increased production of *them* having by the supposition taken place, *will be in a less proportion;* and this, and not the increase of the quantity of cutlery, constitutes the employers' profits, or the increase of their wealth. But if the like addition of one per cent had been *making at the same time to the capitals of all other trades* [...] and *with the like result as to produce*, this [...] would not follow: for the rate at which each article would exchange with the rest would remain unaltered, and therefore a given portion of each would give the same command as before over the rest" ([*An Inquiry into those Principles*, London, 1821,] p. 9).

First of all, if there has been no increase of production (and of the capital devoted to production) except in the cutlery trade, as is assumed, then the return will not be "*in a less proportion*", but an absolute loss. There are then only three courses open to the cutlery producer. Either he must exchange his increased product as he would have done his smaller product, and his increased production would thus result in a positive

loss. Or he must try to get new consumers; if amongst the old circle, this could only be done by withdrawing customers from another trade and shifting his loss upon other shoulders; or he must enlarge his market beyond his former limits; but neither the one nor the other operation depends on his good will; nor on the mere existence of an increased quantity of knives. Or, in the last instance, he must carry over his production to another year and diminish his new supply for that year, which, if his addition of capital did exist not only in additional wages, but in additional fixed capital, will equally result in a loss.[1]

Furthermore: If all other capitals have accumulated at the same rate, it does not follow at all that their production has increased at the same rate. But if it has, it does not follow that they want one per cent more of cutlery, as their demand for cutlery is not at all connected, either with the increase of their own produce, or with their increased power of buying cutlery. What follows is merely the tautology: If the increased capital used in each particular branch of production is proportionate to the rate in which the wants of society increase the demand for each particular commodity, then the increase of one commodity se-cures a market for the increased supply of other commodities.

Here, therefore, is presupposed 1. *capitalist production*, in which the production of each particular industry and its increase are not *directly* regulated and ||811| *controlled* by the wants of society, but by the productive forces at the disposal of each individual capitalist, independent of the wants of society. 2. It is assumed that nevertheless production is *proportional* [to the requirements] as though capital were employed in the different spheres of production directly by society in accordance with its needs.

On this assumption—if capitalist production were entirely socialist production—a contradiction in terms—no over-production could, in fact, occur.

By the way, in the various branches of industry in which *the same accumulation* of capital takes place (and this too is an unfortunate assumption that capital is accumulated at an *equal rate* in different spheres), the amount of products corresponding to the increased capital employed may vary greatly, since the productive forces in the different industries or the total use-values produced in relation to the labour employed differ considerably. The same value is produced in both cases, but the quantity of commodities in which it is represented is very different. It is quite incomprehensible, therefore, why industry A, because the value of its output has increased by 1 per cent while the mass of its products has grown by 20 per cent, must find a market in B where the value has likewise increased by 1 per cent, but the quantity of its output only by 5 per cent. Here, the author has failed to take into consideration the difference between use-value and exchange-value.

Say's earth-shaking discovery that "commodities can only be bought with commodities" simply means that money is itself the converted form of the commodity. It does not prove by any means that because I can buy only with commodities, I can buy with *my* commodity, or that my purchasing power is related to the *quantity* of commodities I produce. The same *value* can be embodied in very different quantities [of commodities]. But the use-value—consumption—depends not on value, but on the quantity. It is quite unintelligible why I should buy six knives because I can get them for the same price that I previously paid for one. Apart from the fact that the workers do not sell commodities, but labour, a great number of people who do not produce commodities at all buy things with money. Buyers and sellers of commodities are not

identical. The landlord, the moneyed capitalist and others obtain in the form of *money* commodities produced by other people. They are buyers without being sellers of "commodities". Buying and selling occurs not only between industrial capitalists, but they also sell to workers; and likewise to owners of revenue who are not commodity producers. Finally, the purchases and sales transacted by them as capitalists are very different from the purchases they make as revenue-spenders.

> "Mr. Ricardo (p. 359, second ed.), after quoting the doctrine of Smith about the cause of the fall of profits, adds, 'M. Say has, however, most satisfactorily shown, that there is no amount of capital which may not be employed in a country, because demand is only *limited* by production'" [*An Inquiry into those Principles*, London, 1821, p. 18].

(This is very wise. *Limited*, indeed. Nothing can be demanded which *cannot* be produced upon demand, or which the demand does not find ready made in the market. Hence, because demand is *limited* by production, it by no means follows that *production is, or was, limited by demand*, and can never exceed the demand, particularly the demand at the market price. This is Say-like acumen.)

> "'There cannot be accumulated (p. 360) in a country any amount of capital which cannot be employed *productively*' (meaning, I presume,"—says the author in brackets—"'with profit to the owner') 'until wages rise so high *in consequence* of the rise of necessaries, and so little consequently remains for the profits of stock, that the motive for accumulation ceases'" [loc. cit., pp. 18-19].

(Ricardo here equates "productively" and "profitably", whereas it is precisely the fact that in capitalist production "profitably" alone is "productively", that constitutes the difference between it and absolute production, as well as its limitations. In order to produce

"productively", production must be carried on in such a way that the mass of producers are excluded from the demand for a part of the product. Production has to be carried on in opposition to a class ||812| whose consumption stands in no relation to its production—since it is precisely in the excess of its production over its consumption that the profit of capital consists. On the other hand, production must be carried on for classes who consume without producing. It is not enough merely to give the surplus product a form in which it becomes an object of demand for these classes. On the other hand, the capitalist himself, if he wishes to accumulate, must not himself consume as much of his own products, insofar as they are consumer goods, as he produces. Otherwise he cannot accumulate. That is why Malthus opposes to the capitalist classes whose task is not accumulation but expenditure. And while on the one hand all these contradictions are assumed, it is assumed on the other that production proceeds without any friction just as if these contradictions did not exist at all. Purchase is divorced from sale, commodity from money, use-value from exchange-value. It is assumed however that this separation does not exist, but that there is barter. Consumption and production are separated; [there are] producers who do not consume and consumers who do not produce. It is assumed that consumption and production are identical. The capitalist directly produces exchange-value in order to increase his profit, and not for the sake of consumption. It is assumed that he produces directly for the sake of consumption and only for it. [If it is] assumed that the contradictions existing in bourgeois production—which, in fact, are reconciled by a process of adjustment which, at the same time, however, manifests itself as crises, violent fusion of disconnected factors operating independently of one another and yet correlated—if it is assumed that the contradictions existing in bourgeois production do not exist, then these contradictions obviously cannot come

into play. In every industry each individual capitalist produces in proportion to *his* capital irrespective of the needs of society and especially irrespective of the supply of competing capitalists in the same industry. It is assumed that he produces as if he were fulfilling orders placed by society. If there were no foreign trade, then luxuries could be produced at home, whatever their cost. In that case, labour, with the exception of [the branches producing] necessaries, would, in actual fact, be very unproductive. Hence accumulation of capital [would proceed at a low rate]. Thus every country would be able to employ all the capital accumulated there, since according to the assumption very little capital would have been accumulated.)

> "The latter sentence limits (not to say contradicts) the former, if 'which may not be employed', in the former, means 'employed productively', or rather, 'profitably'. And if it means simply 'employed', the proposition is useless; because neither Adam Smith nor any body else, I presume, denied that it might 'be employed' if you did not care what profit is brought" (loc. cit., p. 19).

Ricardo says indeed that all capital in a given country, at whatever rate accumulated, may be employed profitably; on the other hand he says that the very fact of the accumulation of capital checks its "profitable" employment, because it must result in lessening profits, that is, the rate of accumulation.

> "... the very meaning of an increased demand by them" (the labourers) "is a disposition to take less themselves, and leave a larger share for their employers; and if it be said that this, by diminishing consumption, increases glut, I can only answer, that glut [...] is synonymous with high profits..." (op. cit., p. 59).

This is indeed the secret basis of glut.

> "... the labourers do not, considered as consumers, derive any benefit from machines, while flourishing" (as Mr. Say says in his *Traité d'économie politique*, fourth ed., Vol. I, p. 60) "unless the article, which the machines cheapen, is one that can be brought, by cheapening, within their use. Threshing-machines, windmills, may be a great thing for them in this view; but the invention of a veneering machine, or a block machine, or a lace frame, does not mend *their* condition much" (op. cit., pp. 74-75).
>
> "The habits of the labourers, where division of labour has been carried very far, are applicable only to the particular line they have been used to; *they are a sort of machines*. Then, there is a long period of idleness, that is, of labour lost; of wealth cut off at its root. It is quite useless to repeat, like a parrot, that things have a tendency to find their level. We must look about us, and see they ||813| *cannot* for a long time find a level; that when they do, it will be a far lower level than they set out from" (op. cit.; p.72).

This Ricardian, following Ricardo's example, recognises correctly crises resulting from sudden changes in the channels of trade. This was the case in England after the war of 1815. And consequently, whenever a crisis occurred, all later economists declared that the *most obvious cause* of the particular crisis was the only possible cause of all crises.

The author also admits that the credit system may be a cause of crises (p. 81 et seq.) (as if the credit system itself did not arise out of the difficulty of employing capital "productively", i.e., "profitably"). The English, for example, are forced to lend their capital to other countries in order to create a market for their commodities. Over-production, the credit system, etc., are means by which capitalist production seeks to break through its own barriers and to produce over and above its own *limits*. Capitalist production, on the one hand, has

this driving force; on the other hand, it only tolerates production commensurate with the profitable employment of existing capital. Hence crises arise, which simultaneously drive it onward and beyond [its own limits] and force it to put on seven-league boots, in order to reach a development of the productive forces which could only be achieved very slowly within its own limits.

What the author writes about Say is very true. This should be dealt with in connection with Say (see p. 134, *notebook VII*).

> "He" (the worker) "will agree *to work part of his time for the capitalist*, or, what comes to the same thing, to consider part of the whole produce, when raised and exchanged, as belonging to the capitalist, He must do so, or the capitalist would not have afforded him this[m] assistance" [op. cit., p. 102].

(Namely capital. Very fine that it comes to the same thing whether the capitalist owns the whole produce and pays part of it as wages to the labourer, or whether the labourer leaves, makes over to the capitalist part of his (the labourer's) produce.)

> "But as the capitalist's *motive was gain*, and as these advantages always depend, in a certain degree, on the *will* to save, as well as on the *power*, the capitalist will be disposed to afford an additional portion of these assistances; and as he will find fewer people in want of this additional portion, than were in want of the original portion, he must expect to have a less share of the benefit to himself; he must be content to make a *present*" (!!!) "(as it were) to the labourer, of part of the benefit his assistance occasions, or else he would not get the other part: the profit is reduced, then, by competition" (loc. cit., pp. 102-03).

This is very fine. If, as a consequence of the development of labour productivity, capital accumulates so quickly that the demand for labour increases wages

and the worker works for a shorter time gratis for the capitalist and shares to some degree in the benefits of his more productive labour—the capitalist makes him a "*present*".

The same author demonstrates in great detail that high wages are bad, a discouragement for workers, although, speaking of the landlords, he considers that low profit is a discouragement for the capitalists (see p. 13, notebook XII).

> "Adam Smith thought [...] that accumulation or increase of stock in general lowered the rate of profit in general, on the same principle which makes the increase of stock in any particular trade lower the profits of that trade. But such increase of stock in a particular trade means an increase more *in proportion* than stock is at the same time increased in other trades" (op. cit., p. 9).

Against Say. (Notebook XII, p. 12.)

> "The immediate market for capital, or *field* for capital may be said to be labour. The amount of capital which can be invested at a given moment, in a given country, or the world, so as to return not less than a given rate of profits, seems principally to depend on the *quantity of labour*, which it is possible, by laying out that capital, to induce the then existing number of human beings to perform" (op. cit., p. 20).

||814| "*Profits* do not depend on *price*, they depend on price compared with outgoings" (op. cit., p. 28).

> "The proposition of M. Say does not at all prove that *capital* opens a market for itself, but only that capital and labour open a market for one another" (op. cit., p. 111).

c) Thomas De Quincey [Failure to Overcome the Real Flaws in the Ricardian Standpoint]

Dialogues of Three Templars on Political Economy, chiefly in relation to the Principles of Mr. Ricardo (London Magazine, Vol. IX, 1824) (author: Thomas De Quincey).

Attempt at a refutation of all the attacks made on Ricardo. That he is aware of what is at issue is to be seen from this sentence:

> "... all [...] difficulties" of political economy "will be found reducible" [to] "this: What is the ground of exchangeable value?"([De Quincey, *Dialogues of Three Templars*, 1824,] p. 347.)

In this work, the inadequacies of the Ricardian view are often pointedly set forth, although the dialectical depth is more affected than real. The real difficulties, which arise not out of the determination of value, but from Ricardo's inadequate elaboration of his ideas on this basis, and from his arbitrary attempt to make concrete relations directly fit the simple relation of value, are in no way resolved or even grasped. But the work is characteristic of the period in which it appeared. It shows that in political economy consistency and thinking were still taken seriously at that time.

(A later work by the same author: *The Logic of Political Economy*, Edinburgh, 1844, is weaker.)

De Quincey very clearly outlines the differences between the Ricardian view and those which preceded it, and does not seek to mitigate them by re-interpretation or to abandon the essential features of the problems in actual fact while retaining them in a purely formal, verbal way as happened later on, thus opening the door wide to easy-going, unprincipled eclecticism.

One point in the Ricardian doctrine which is especially emphasised by De Quincey and which should be mentioned here because it plays a role in the polemic against Ricardo to which we shall refer below, is that the command which one commodity has over other commodities (its purchasing power; in fact, its value expressed in terms of another commodity) is altogether different from its *real value*.

> It is quite wrong to conclude "that the real value is great because the quantity it buys is great, or small because the quantity it buys is small... If A double its value, it will not therefore command double the former quantity of B. It may do so: and it may also command five hundred times more, or five hundred times less... No man has ever denied that A by doubling its own value will command a double quantity of all things which have been stationary in value. [...] But the question is whether universally, from doubling its value, A will command a double quantity..." ([*Dialogues of Three Templars*,] pp. 552-54 passim).

d) Samuel Bailey

[α) Superficial Relativism on the Part of the Author of "Observations on certain Verbal Disputes" and on the Part of Bailey in Treating the Category of Value. The Problem of the Equivalent. Rejection of the Labour Theory of Value as the Foundation of Political Economy]

A Critical Dissertation on the Nature, Measures, and Causes of Value; chiefly in Reference to the Writings of Mr. Ricardo and his Followers. By the Author of Essays on the Formation and Publication of Opinions (Samuel Bailey), London, 1825.

This is the main work directed against Ricardo. (Also aimed against Malthus.) It seeks to overturn the foundation of the doctrine—value. It is definitely worthless except for the definition of the "*measure of value*", or rather, of money in this function. Compare also the same author's: *A Letter to a Political Economist; occasioned by an Article in the Westminster Review on the Subject of Value etc.*, London, 1826.

Since, as has been mentioned,[n] this work basically agrees with *Observations on certain Verbal Disputes in Political Economy*, it is here necessary to add the relevant passages from these *Observations*.

The author of the *Observations* accuses Ricardo of having transformed *value* from a relative attribute of commodities in their relationship to one another, into something absolute.

The only thing that Ricardo can be accused of in this context is that, in elaborating the concept of value, he does not clearly distinguish between the various aspects, between the exchange-value of the commodity, as it *manifests itself, appears* in the process of commodity exchange, and the existence of the commodity as *value* as distinct from its existence as an object, product, use-value.

||815| It is said in the *Observations:*

> "If the absolute quantity of labour, which produces the greater part of commodities, or all except one, is increased, would you say that the value of that one is unaltered? In what sense? since it will exchange for less of every commodity besides. If, indeed, it is meant to be asserted that the *meaning* of increase or diminution of value is increase or diminution in the quantity of labour that produced the commodity spoken of, the conclusions I have just been objecting to might be true enough. But to say, as Mr. Ricardo does, that

> the comparative quantities of labour that produce two commodities are the cause of the rate at which these two commodities will exchange with each other, i.e., of the exchangeable value of each, understood in relation to the other, is very different from saying that the *exchangeable value of either means* the quantity of labour which produced it, understood without any reference to the other, or to the existence of any other" (*Observations etc.*, p. 13).
>
> "Mr. Ricardo tells us indeed [...] that 'the inquiry to which he wishes to draw the reader's attention relates to the effect of the variations in the *relative* value of commodities, and not in their *absolute* value'; as if be there considered that there *is* such a thing as exchangeable value which is not relative" (op. cit., pp. 9-10).
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> "That Mr. Ricardo has departed from his original use of the term value, and *has made of it something absolute, instead of relative*, is still more evident in his chapter entitled 'Value and Riches, their distinctive Properties'. The question there discussed, has been discussed also by others, and is purely verbal and useless..." (op. cit., pp. 15-16).

Before dealing with this author, we shall add the following about Ricardo. In his chapter on "Value and Riches", he argues that social wealth does not depend on the value of the commodities produced, although this latter point is decisive for every individual producer. It should have been all the more clear to him that a mode of production whose exclusive aim is surplus-value, in other words, which is based on the relative poverty of the mass of the producers, cannot possibly be the absolute form of the production of wealth, as he constantly asserts.

Now to the *Observations* of the "verbal" wiseacre.

If all commodities except one increase in value because they cost more labour-time than they did before, smaller amounts of these commodities will be exchanged for the

single commodity whose labour-time remains unchanged. Its *exchange-value*, insofar as it is realised in other commodities—that is, its exchange-value expressed in the *use-values* of all other commodities—has been reduced. "Would you then say that the value of that one is *unaltered?*" This is merely a formulation of the point at issue, and it calls neither for a positive nor for a negative reply. The same result would occur if the labour-time required for the production of the one commodity were reduced and that of all the others remained unchanged. A given quantity of this particular commodity would exchange for a reduced quantity of all the other commodities. The same phenomenon occurs in both cases although from directly opposite causes. Conversely, if the labour-time required for the production of commodity A remained unchanged, while that of all others were reduced, then it would exchange for larger amounts of all the other commodities. The same would happen for the opposite reason, if the labour-time required for the production of commodity A increased and that required for all other commodities remained unchanged. Thus, sometimes commodity A exchanges for smaller quantities of all the other commodities, and this for either of two different and opposite reasons. At other times it exchanges for larger quantities of all the other commodities, again for two different and opposite reasons. But it should be noted that it is assumed that it always exchanges at *its value*, consequently for an *equivalent*. It always realises its value in the quantity of use-values of the other commodities for which it exchanges, no matter how much the quantity of these use-values varies.

From this it obviously follows: that the rate at which commodities exchange for one another as use-values, although it is an *expression* of their value, their *realised* value, is not their value itself, since the same proportion of value can be represented by quite

different quantities of use-values. Value as an aspect of the commodity is not expressed in its own use-value, or in its existence as use-value. Value *manifests* itself when commodities are expressed in other use-values, that is, it manifests itself in the rate at which these other use-values are exchanged for them. If one ounce of gold equals a ton of iron, that is, if a small quantity of gold exchanges for a large quantity of iron, is therefore the value of the gold expressed in iron greater than the value of the iron expressed in gold? That commodities exchange for one another in proportion to the labour embodied in them, means that they are equal, alike, insofar as they constitute the same quantity of labour. Consequently it means likewise that every commodity, considered in itself, is something *different* from its own use-value, ||816| from its own existence as use-value.

The *value* of the same commodity can, without changing, be expressed in infinitely *different* quantities of use-values, always according to whether I express it in the use-value of this or of that commodity. This does not alter the value, although it does alter the way it is expressed. In the same way, all the various quantities of different use-values in which the value of commodity A can be expressed, are equivalents and are related to one another not only as values, but as equal values, so that when these very unequal quantities of use-value replace one another, the value remains completely unchanged, as if it had not found expression in quite different use-values.

When commodities are exchanged in the proportion in which they represent equal amounts of labour-time, then it is their aspect as materialised labour-time, as embodied labour-time, which manifests their *substance*, the *identical element* they contain. As such, they are *qualitatively* the same, and differ only *quantitatively*, according to whether they represent smaller or larger quantities of the *same* substance, i.e.,

labour-time. They are *values* as expressions of the same element; and they are equal values, *equivalents*, insofar as they represent an equal amount of labour-time. They can only be compared as magnitudes, because they are already homogeneous magnitudes, qualitatively identical.

It is as manifestations of this substance that these different things constitute *values* and are related to one another as values; their different *magnitudes of value*, their immanent measure of value are thus also given. And only *because of this* can the value of a commodity be represented, expressed, in the use-values of other commodities as its equivalents. Hence the *individual commodity* as *value*, as the *embodiment of this substance*, is different from itself as use-value, as an object, quite apart from the expression of its value in other commodities. As the embodiment of labour-time, it is *value* in general, as the embodiment of a definite quantity of labour-time, it is a definite *magnitude of value*.

It is therefore typical of our wiseacre when he says: If we *mean* that, we do *not mean* that and vice versa. Our "meaning" has nothing at all to do with the essential character of the thing we consider. If we speak of the *value in exchange* of a thing, we *mean* in the first instance of course the *relative quantities* of all other commodities that can be exchanged for the first commodity. But, on further consideration, we shall find that for the proportion, in which one thing exchanges for an infinite mass of other things which have nothing in common with it—and even if there are natural or other similarities between those things, they are not considered in the exchange—for the proportion to be a *fixed proportion*, all those various heterogeneous things must be considered as proportionate representations, expressions of the *same common unity*, [of] an element quite different from their natural existence or

appearance. We shall furthermore find, that if our views have any sense, the value of a commodity is something which not only distinguishes it from or relates it to other commodities, but is a quality differentiating it from its own existence as a thing, a value in use.[o]

> "The rise of value of article A, only meant *value estimated* in articles B, C, etc., i.e., value in exchange for articles B, C, etc." ([*Observations*, London, 1821,] p. 16).

To *estimate* the value of A, a book for instance, in B, coals, and C, wine, A, B and C must be as *value* something different from their existence as books, coals or wine. To estimate the value of A in B, A must have a value independent of the estimation of that value in B, and both must be equal to a third thing expressed in both of them.

It is quite wrong to say that the value of a commodity is thereby transformed from something *relative* into something *absolute*. On the contrary, as a use-value, the commodity appears as something independent. On the other hand, as value it appears as something merely *contingent*, something merely determined by its relation to socially necessary, equal, simple labour-time. It is to such an extent relative that when the labour-time required for its reproduction changes, its value changes, although the labour-time really contained in the commodity has remained unaltered.

||817| How deeply our wiseacre has sunk into *fetishism* and how he transforms what is relative into something positive, is demonstrated most strikingly in the following passage:

> "*Value* is a *property of things, riches of men*. Value, in this sense, necessarily implies exchange, riches do not" (loc. cit., p. 16).

Riches here are use-values. These, as far as men are concerned, are, of course, riches, but it is through its *own*

properties, its own qualities, that a thing is a use-value and therefore an element of wealth for men. Take away from grapes the qualities that make them grapes, and their use-value as grapes disappears for men and they cease to be an element of wealth for men. Riches which are identical with use-values are *properties of things* that are made use of by men and which express a relation to their wants. But "value" is supposed to be a "*property of things*".

As values, commodities are *social* magnitudes, that is to say, something absolutely different from their "properties" as "things". As values, they constitute only relations of men in their productive activity. Value indeed "implies exchanges", but exchanges are exchanges of things between men, exchanges which in no way affect the things as such. A thing retains the same "properties" whether it be owned by A or by B. In actual fact, the concept "value" presupposes "exchanges" of the products. Where labour is communal, the relations of men in their social production do not manifest themselves as "values" of "things". Exchange of products as commodities is a method of exchanging labour, [it demonstrates] the dependence of the labour of each upon the labour of the others [and corresponds to] a certain mode of social labour or social production.

In the first part of my book, I mentioned that it is characteristic of labour based on private exchange that the social character of labour "manifests" itself in a perverted form—as the "property" of things; that a social relation appears as a relation between things (between products, values in use, commodities). This *appearance* is accepted as something real by our fetish-worshipper, and he actually believes that the exchange-value of things is determined by their properties as things, and is altogether a natural property of things. No scientist to date has yet discovered

what natural qualities make definite proportions of snuff tobacco and paintings "equivalents" for one another.

Thus he, the wiseacre, transforms value into something absolute, "a property of things", instead of seeing in it only something relative, the relation of things to social labour, social labour based on private exchange, in which things are defined not as independent entities, but as mere expressions of social production.

But to say that "value" is not an absolute, is not conceived as an entity, is quite different from saying that commodities must impart to their exchange-value a *separate* expression which is *different* from and *independent* of their use-value and of their existence as real products, in other words, that commodity circulation is bound to evolve money. Commodities express their exchange-value in money, first of all in the *price*, in which they all present themselves as materialised forms of *the same* labour, as only quantitatively different expressions of *the same* substance. The fact that the *exchange-value* of the commodity *assumes an independent existence* in money is itself the result of the process of exchange, the development of the contradiction of use-value and exchange-value embodied in the commodity, and of another no less important contradiction embodied in it, namely, that the definite, particular labour of the private individual must manifest itself as its opposite, as equal, necessary, general labour and, in this form, social labour. The representation of the commodity as money implies not only that the different magnitudes of commodity values are measured by expressing the va1ues in the use-value of one exclusive commodity, but at the same time that they are all expressed in a form in which they exist as the embodiment of *social labour* and are therefore exchangeable for every other commodity, that they are translatable at will into any use-value desired. Their representation as money—in the price—

therefore appears first only as something nominal, a representation which is realised only through actual sale. *Ricardo's* mistake is that he is concerned only with the *magnitude of value*. Consequently his attention is concentrated on ||818| the *relative quantities of labour* which the different commodities represent, or which the commodities as values embody. But the labour embodied in them must be represented as *social* labour, as alienated individual labour. In the price this representation is nominal; it becomes reality only in the sale. This transformation of the labour of private individuals contained in the commodities into *uniform social labour*, consequently into labour which can be expressed in all use-values and can be exchanged for them, this *qualitative* aspect of the matter which is contained in the representation of exchange-value as money, is not elaborated by Ricardo. This circumstance—the necessity of *presenting* the labour contained in commodities as *uniform social labour*, i.e., as money—is overlooked by Ricardo.

For its part, the development of capital already *presupposes* the full development of the exchange-value of commodities and consequently its independent existence as money. The point of departure in the process of the production and circulation of capital, is the independent form of value which maintains itself, increases, measures the increase against the original amount, whatever changes the commodities in which it manifests itself may undergo, and quite irrespective of whether it presents itself in the most varied use-values and moves from commodity to commodity. The relation between the value antecedent to production and the value which results from it—capital as antecedent value is capital in contrast to profit—constitutes the all-embracing and decisive factor in the whole process of capitalist production. It is not only an independent expression of value as in money, but dynamic value, value

which maintains itself in a process in which use-values pass through the most varied forms. Thus in capital the independent existence of value is raised to a higher power than in money.

From this we can judge the wisdom of our "verbal" wiseacre, who treats the independent existence of exchange-value as a figure of speech, a manner of talking, a scholastic invention.

> "Value, or valeur in French, is not only used absolutely instead of relatively as a quality of things, but is even used by some [...] as [...] a measurable commodity, 'Possessing a value', 'transferring a portion of value'" (a very important factor with regard to fixed capital), "'the sum, or totality of values' (valeurs), etc. I do not know what this means" (op. cit., p. 57).

The fact that the value which has become independent acquires only a relative expression in money, because money itself is a commodity, and hence has a changeable value, makes no difference but is a shortcoming which arises from the nature of the commodity and the necessity of expressing its exchange-value, as distinct from its use-value. Our author has made it abundantly clear that he does "not know" this. This is shown by the kind of criticism which would like to talk out of existence the difficulties innate in the contradictory functions of things themselves, by declaring them to be the result of reflexions or of conflicting definitions.

> "'The *relative* value of two things' [...] is open to two meanings: the rate at which two things exchange or would exchange with *each other*, or the comparative portions of *a third* for which each exchanges or would exchange" (op. cit., p. 53).

To begin with, this is a fine definition, If 3 lbs. of coffee exchange for 1 lb. of tea today or would do so tomorrow, it does not at all mean that equivalents have been

exchanged for each other. According to this, a commodity could always be exchanged only at its value, for its value would constitute any quantity of some other commodity for which it had been accidentally exchanged. This, however, is not what people generally *mean*, when they say that 3 lbs. of coffee have been exchanged for their equivalent in tea. They assume that after, as before, the exchange, a *commodity of the same value* is in the hands of either of the exchangers. The rate at which two commodities exchange does not determine their value, but their value determines the rate at which they exchange. If value were nothing more than the quantity of commodities for which commodity A is accidentally exchanged, how is it possible to express the value of A in terms of commodity B, or C, etc.? Because ||819| then, since there is no *immanent* measure common to the two commodities, the value of A could not be expressed in terms of B before it had been exchanged against B.

Relative value means first of all *magnitude of value* in contradistinction to the quality of having *value* at all. For this reason, the latter is not something absolute. It means, secondly, the value of one commodity expressed in the use-value of another commodity. This is *only* a *relative* expression of its value, namely, in relation to the commodity in which it is expressed. The value of a pound of coffee is only relatively expressed in tea; to express it absolutely—even in a relative way, that is to say, not in regard to labour-time, but to other commodities—it ought to be expressed in an infinite series of equations *with all other commodities*. This would be an *absolute* expression of its *relative value;* its absolute expression would be its expression *in terms of labour-time* and this absolute expression would express it as something relative, but in the absolute relation, by which it *is* value.

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Let us now turn to Bailey.

His book has only one positive merit—that he was the first to give a more accurate definition of the *measure of value*, that is, in fact, of one of the functions of money, or money in a particular, determinate form. In order to measure the *value* of commodities—to establish an *external* measure of value—it is not necessary that the value of the commodity in terms of which the other commodities are measured, should be invariable. (It must on the contrary be variable, as I have shown in the first part, because the measure of value is, and must be, a commodity since otherwise it would have no *immanent* measure in common with other commodities.) If, for example, the value of money changes, it changes to an equal degree in relation to all other commodities. Their relative values are therefore expressed in it just as correctly as if the value of money had remained unchanged.

The problem of finding an "invariable measure of value" is thereby eliminated. But this problem itself (the interest in comparing the value of commodities in different historical periods, is, indeed, not an *economic* interest as such, [but] an academic interest) arose out of a misunderstanding and conceals a much more profound and important question. "Invariable measure of value" signifies primarily a measure of value which is itself of invariable value, and consequently, since value itself is a predicate of the commodity, a commodity of invariable value. For example, if gold and silver or corn, or labour, were such commodities, then it would be possible to establish, by comparison with them, the rate at which other commodities are exchanged for them, that is, to measure exactly the variations in the values of these other commodities by their prices in gold, silver, or corn, or their relation to wages. Stated in this way, the problem therefore presupposes from the outset that in the "measure of value" we are dealing simply with the

commodity in which the values of all other commodities are expressed, whether it be the commodity by which they are really represented—i.e., money, the commodity which functions as money—or a commodity which, because its value remains invariable, would function as the money in terms of which the theoretician makes his calculations. It thus becomes evident that in this context it is in any case a question only of a kind of money which as the measure of value—either theoretically or practically—would itself not be subject to changes in value.

But for commodities to express their exchange-value independently in money, in a third commodity, the exclusive commodity, the *values of commodities* must already be presupposed. Now the point is merely to compare them quantitatively. A *homogeneity* which makes them the same—makes them values—which as values makes them qualitatively equal, is already presupposed in order that their value and their differences in value can be represented in this way. For example, if all commodities express their value in gold, then this expression in gold, their gold price, their equation with gold, is an equation on the basis of which it is possible to elucidate and compute their value relation to one another, for they are now expressed as *different quantities of gold* and in this way the commodities are represented in their *prices*, ||820| as comparable magnitudes of the same common denominator.

But in order to be represented in this way, the commodities
must *already* be *identical* as *values*. Otherwise it would be impossible to solve the problem of expressing the value of each commodity in gold, if commodity and gold or any two commodities as values were not representations of the same substance, capable of being expressed in one another. In other words, this presupposition is already implicit in the problem itself. Commodities are already presumed as values, as *values* distinct from their use-

values, before the question of representing this value in a special commodity can arise. In order that two quantities of different use-values can be equated as equivalents, it is already presumed that they are *equal* to a third, that they are *qualitatively* equal and only constitute different quantitative expressions of this qualitative equality.

The problem of an "invariable measure of value" was simply a spurious name for the quest for the concept, the nature, of *value* itself, the definition of which could not be another value, and consequently could not be subject to variations as value. This was *labour-time, social labour*, as it presents itself specifically in commodity production. A quantity of labour has no value, is not a commodity, but is that which transforms commodities into values, it is their *common substance;* as manifestations of it commodities are *qualitatively equal* and only *quantitatively different*. They [appear] as expressions of definite quantities of social labour-time.

Let us assume that gold has an invariable value. If the value of all commodities were then expressed in gold one could measure variations in the values of commodities by their gold prices. But in order to express the value of commodities in gold, commodities and gold must be identical as *values*. Gold and commodities can only be considered to be identical as definite quantitative expressions of this value, as definite magnitudes of value. The invariable value of gold and the variable value of the other commodities would not prevent them, as *value*, from being the same, [Consisting of] the same substance. Before the invariable value of gold can help us to make a step forward, the value of commodities must first be expressed, assessed, in gold—that is, gold and commodities must be represented as equivalents, as expressions of *the same substance*.

{In order that the commodities may be measured according to the quantity of labour embodied in them—

and the measure of the quantity of labour is time—the different kinds of labour contained in the different commodities must be reduced to uniform, simple labour, average labour, ordinary, unskilled labour. Only then can the amount of labour embodied in them be measured according to a common measure, according to time. The labour must be qualitatively equal so that its differences become merely quantitative, merely differences of magnitude. This reduction to simple, average labour is not, however, the only determinant of the *quality* of this labour to which as a unity the values of the commodities are reduced. That the quantity of labour embodied in a commodity is the quantity *socially necessary* for its production—the labour-time being thus *necessary labour-time*—is a definition which concerns only the *magnitude of value*. But the labour which constitutes the substance of value is not only uniform, simple, average labour; it is the labour of a private individual represented in a definite product. However, the product as value must be the embodiment of *social* labour and, as such, be directly convertible from one use-value into all others. (The particular use-value in which labour is directly represented is irrelevant so that it can be converted from one form into another.) Thus the *labour of individuals* has to be directly represented as its opposite, *social* labour; this transformed labour is, as its immediate opposite, *abstract, general labour*, which is therefore represented in a general equivalent, only by its alienation does individual labour manifest itself as its opposite. The commodity, however, must have this general expression before it is alienated. This necessity to express individual labour as general labour is equivalent to the necessity of expressing a commodity as money. The commodity receives this expression insofar as the money serves as a measure and expresses the value of the commodity in its *price*. It is only through sale, through its real transformation into money, that the commodity acquires its adequate expression as exchange-

value. The first transformation is merely a theoretical process, the second is a real one.

||821| Thus, in considering the existence of the commodity as *money*, it is not only necessary to emphasise that in money commodities acquire a definite *measure* of their value—since all commodities express their value in the use-value of *the same* commodity—but that they all become manifestations of social, abstract, general labour; and as such they all possess the same form, they all appear as the direct incarnation of social labour and as such they all act as social labour, that is to say, they can be *directly exchanged* for all other commodities in proportion to the size of their value; whereas in the hands of the people whose commodities have been transformed into money, they exist not as exchange-value in the form of a particular use-value, but as use-value (gold, for example) which merely represents exchange-value. A commodity may be sold either below or above its value. This is purely a matter of the *magnitude of its value*. But whenever a commodity is sold, transformed into money, its exchange-value acquires an independent existence, separate from its use-value. The commodity now exists only as a certain quantity of social labour-time, and it proves that it is such by being *directly* exchangeable for any commodity whatsoever and convertible (in proportion to its magnitude) into any use-value whatsoever. This point must not be overlooked in relation to money any more than the formal transformation undergone by the labour a commodity contains as its element of value. But an examination of money—of that absolute exchangeability which the commodity possesses as money, of its absolute effectiveness as *exchange-value* which has nothing to do with the magnitude of value—shows that it is *not quantitatively, but qualitatively determined* and that as a result of the very process through which the commodity

itself passes, its *exchange-value* becomes independent, and is really represented as a separate aspect alongside its use-value as it is already nominally in its price.

This shows, therefore, that the "verbal observer" understands as little of the value and the nature of money as Bailey, since both regard the independent existence of value as a scholastic invention of economists. This independent existence becomes even more evident in capital, which, in one of its aspects, can be called *value in process*—and since value only exists independently in money, it can accordingly be called *money in process*, as it goes through a series of processes in which it preserves itself, departs from itself, and returns to itself increased in volume. It goes without saying that the paradox of reality is also reflected in paradoxes of speech which are at variance with common sense and with what vulgarians mean and believe they are talking of. The contradictions which arise from the fact that on the basis of commodity production the labour of the individual presents itself as general social labour, and the relations of people as relations between things and as things—these contradictions are innate in the subject-matter, not in its verbal expressions.}

Ricardo often gives the impression, and sometimes indeed writes, as if the quantity of labour is the solution to the false, or falsely conceived problem of an "invariable measure of value" in the same way as corn, money, wages, etc., were previously considered and advanced as panaceas of this kind, In Ricardo's work this false impression arises because for him the decisive task is the definition of the magnitude of value. Because of this he does not understand the specific form in which labour is an element of value, and fails in particular to grasp that the labour of the individual must present itself as abstract general labour and, in this form, as *social* labour. Therefore he has not understood that the development of money is connected with the nature

of value and with the determination of this value by labour-time.

Bailey's book has rendered a good service insofar as the objections he raises help to clear up the confusion between "measure of value" expressed in money as a commodity along with other commodities, and the immanent measure and substance of value. But if he had analysed money as a "measure of value", not only as a quantitative measure but as a qualitative transformation of commodities, he would have arrived at a correct analysis of value. Instead of this, he contents himself with a mere superficial consideration of the external "measure of value"—which already presupposes value—and remains rooted in a purely frivolous approach to the question.

||822| There are, however, occasional passages in Ricardo in which he directly emphasises that the quantity of labour embodied in a commodity constitutes the immanent measure of the *magnitude* of its value, of the *differences in the amount* of its value, only because labour is the factor the different commodities have in *common*, which constitutes their uniformity, their substance, the intrinsic foundation of their value. The thing however he failed to investigate is the specific form in which labour plays that role.

> "In making *labour* the *foundation of the value* of commodities, *and* the *comparative quantity of labour* which is necessary to their production, *the rule which determines the respective quantities of goods* which shall be given in exchange for each other, we must not be supposed to deny the accidental and temporary deviations of the actual or market price of commodities from this, their primary and natural price" ([David Ricardo, *The Principles of Political Economy, and Taxation*,] third ed., 1821, p. 80).

> Destutt de Tracy says that "To measure ... is to find how many times they" (the things measured) "contain [...] *unities of the same description*. A franc is not a measure of value for any thing, but for a quantity of *the same metal* of which francs are made, unless francs, and the thing to be measured, can be referred to *some other measure which is c o m m o n to both*. This, I think, they can be, for they are both the *result of labour;* and, therefore" (because labour is their effective cause) "labour is a *common measure*, by which their *real* as well as their *relative value* may be estimated" (op. cit., pp. 333-34).

All commodities can be reduced to labour as their common element. What Ricardo does not investigate is the *specific* form in which labour manifests itself as the common element of commodities. That is why he does not understand money. That is why in his work the transformation of commodities into money appears to be something merely formal, which does not penetrate deeply into the very essence of capitalist production. He says however: only because labour is the common factor of commodities, only because they are all mere manifestations of the same common element, of labour, is labour their measure. It is their measure only because it forms their *substance* as values. Ricardo does not sufficiently differentiate between labour insofar as it is represented in use-values or in exchange-value. Labour as the foundation of value is not any particular labour, with particular qualities. Ricardo continuously confuses the labour which is represented in use-value and that which is represented in exchange-value. It is true that the latter species of labour is only the former species expressed in an abstract form.

By *real value*, Ricardo, in the passage cited above, understands the commodity as the embodiment of a definite amount of labour-time. By *relative value*, he understands the labour-time the commodity contains expressed in the use-values of other commodities.

Now to *Bailey*.

Bailey clings to the form in which the exchange-value of the commodity—as commodity—appears, manifests itself. It manifests itself in a *general form* when it is expressed in the use-value of a third commodity, in which all other commodities likewise express their value—a commodity which serves as money—that is, in the *money price* of the commodity. It manifests itself in a *particular form* when the exchange-value of any particular commodity is expressed in the use-value of any other, that is, as the *corn price, cotton price*, etc. In actual fact, the exchange-value of the commodity always appears, manifests itself with regard to other commodities, only in the *quantitative relationship* in which they exchange. The individual commodity as such cannot express general labour-time, or it can only express it in its equation with the commodity which constitutes money, in its *money price*. But then the value of commodity A is always expressed in a certain quantity of the use-value of the commodity which functions as money.

This is how matters *appear directly*. And Bailey clings to this. The most superficial form of exchange-value, that is the *quantitative relationship* in which commodities exchange with one another, *constitutes*, according to Bailey, their value. The advance from the surface to the core of the problem is not permitted. He even forgets the simple consideration that if *y* yards of linen equal *x* lbs. of straw, this [implies] a parity between two unequal things—linen and straw—making them equal magnitudes. This existence of theirs as things that are equal must surely be different ||823| from their existence as straw and linen. It is not as straw and linen that they are equated, but as equivalents. The one side of the equation must, therefore, express the same value as the other. The value of straw and linen must, therefore, be neither straw nor linen, but something common to both and different from both commodities considered as

straw and linen. What is it? He does not answer this question. Instead, he wanders off into all the categories of political economy in order to repeat the same monotonous litany over and over again, namely, that value is the exchange relation of commodities and consequently is not anything different from this relation.

> "*If* the *value* of an object *is its power of purchasing*, there must be something to purchase. Value denotes *consequently* nothing positive or intrinsic, but merely the *relation* in which two objects stand to each other as *exchangeable commodities*" ([Samuel Bailey, *A Critical Dissertation an the Nature, Measures, and Causes of Value*, London, 1825,] pp. 4-5).

His entire wisdom is, in fact, contained in this passage. "If *value* is *nothing* but *power of purchasing*" (a very fine definition since "purchasing" presupposes not only value, but the representation of value as "money"), "it denotes", etc. However let us first clear away from Bailey's proposition the absurdities which have been smuggled in. "Purchasing" means transforming money into commodities. Money already presupposes value and the development of value. Consequently, out with the expression "purchasing" first of all. Otherwise we are explaining value by value. Instead of purchasing we must say "exchanging against other objects". It is quite superfluous to say that "there must be something to purchase". If the "object" was to be consumed by its producers as a use-value, if it was not merely a means of appropriating other objects, not a "commodity", then obviously there could be no question of value.

First, it is a matter of objects. But then the relation "in which two objects stand to each other" is transformed into "the relation in which two objects stand to each other as exchangeable commodities". After all, the objects stand only in relation of exchange or as exchangeable objects to each other. That is why they are "*commodities*", which is

something different from “objects”. On the other hand, the “relation of exchangeable commodities” is either nonsense, since “not exchangeable objects” are not commodities, or Mr. Bailey has beaten himself. The objects are not to be exchanged in any arbitrary proportion, but are to be exchanged as commodities, that is, they are to stand to one another as exchangeable commodities, that is, as objects each of which has a value, and which are to be exchanged with one another in *proportion to their equivalence*. Bailey thereby admits that the rate at which they are exchanged, that is, the power of each of the commodities to purchase the other, is determined by its *value*, but this value however is not determined by this power, which is merely a corollary.

If we strip the passage of everything that is wrong, nonsensical or smuggled in, then it will read like this.

But wait: we must dispose of yet another snare and piece of nonsense. We have two sorts of expression. An object’s “power” of exchanging, etc. (since the term “purchasing” is unjustified and makes no sense without the concept of money), and the “*relation in which*” an object exchanges with others. If “power” is to be regarded as something different from “relation”, then one ought not to say that “power of exchanging” is “*merely the relation*”, etc. If it is meant to be *the same thing*, then it is confusing to describe the same thing with two different expressions which have nothing in common with each other. The *relation* of a thing to another is a relation of the two things and cannot be said to belong to either. *Power of a thing*, on the contrary, is something intrinsic to the thing, although this, its intrinsic quality, may only ||824| manifest itself in its relation to other things. For instance, power of attraction is a power of the thing itself although that power is “latent” so long as there are no things to attract. Here an attempt is made to represent the value of the “object” as something intrinsic to it, and yet as something merely existing as a

"relation". That is why Bailey uses first the word "power" and then the word "relation".

Accurately expressed it would read as follows:

> "*If* the value of an object is the relation in which it exchanges with other objects, value denotes, *consequently*" (viz., in consequence of the "if"), "nothing but the relation in which two objects stand to each other as exchangeable objects."

Nobody will contest this tautology. What follows from it, by the way, is that the "value" of an object "denotes *nothing*". For example, 1 lb. of coffee=4 lbs. of cotton. What then is the value of 1 lb. of coffee? 4 lbs. of cotton. And of 4 lbs. of cotton? 1 lb. of coffee, Since the value of 1 lb. of coffee is 4 lbs. of cotton, and, on the other hand, the value of 4 lbs. of cotton is 1 lb. of coffee, then it is clear that the value of 1 lb. of coffee is 1 lb. of coffee (since 4 lbs. of cotton=1 lb. of coffee), $a=b$, $b=a$, hence $a=a$. What arises from this explanation is, therefore, that the value of a use-value is equal to a [certain] quantity of the same use-value. Consequently, the value of 1 lb. of coffee is nothing else than 1 lb. of coffee. If 1 lb. of coffee=4 lbs. of cotton, then it is clear that 1 lb. of coffee > 3 lbs. of cotton and 1 lb. of coffee < 5 lbs. of cotton. To say that 1 lb. of coffee > 3 lbs. of cotton and < 5 lbs. of cotton, expresses a *relation* between coffee and cotton just as well as saying that 1 lb. of coffee=4 lbs. of cotton. The symbol = does not express any more of a relation than does the symbol > or the symbol <, but simply a *different* relation. Why is it then precisely the relation represented by the sign of equality, by =, which expresses the value of the coffee in cotton and that of the cotton in coffee? Or is this sign of equality the result of the fact that these two amounts exchange for one another at all? Does this sign = merely express the fact of exchange? It cannot be denied that if coffee exchanges for cotton in any proportion whatever,

they are exchanged for one another, and if the mere fact of their exchange constitutes the *relation* between the commodities, then the value of the coffee is equally well expressed in cotton whether it exchanges for 2, 3, 4 or 5 lbs. of cotton. But what is then the word "*relation*" supposed to mean? Coffee in itself has no "intrinsic positive" quality which determines the *rate at which* it exchanges for cotton. It is not a relation which is determined by any kind of determinant intrinsic to coffee and separate from real exchange. What is then the purpose of the word "relation"? What is the relation? The quantity of cotton against which a quantity of coffee is exchanged. Then one could not speak of a relation in which it exchanges but only of a relation in which it is or *has been* exchanged. For if the relation were determined before the exchange, then the exchange would be determined by "the relation" and not the relation by the exchange. We must therefore drop the *relation* as signifying something which *stands over and above* the coffee and the cotton and is distinct from them.

[Thus the passage from Bailey cited above takes the following form:]

> "*If* the value of an object is the quantity of another object exchanged with it, value denotes, consequently, nothing but the quantity of the other object exchanged with it."

As a commodity, a commodity can only express its value in other commodities, since general labour-time does not exist for it as a commodity. [Bailey believes that] if the value of one commodity is expressed in another commodity, the value of one commodity is nothing apart from this equation with another commodity. Bailey flaunts this piece of wisdom tirelessly—and all the more tiresomely. As he conceives it, it is a *tautology*, for he says [in essence]: If the value of any commodity is nothing

but its exchange relation with another commodity, it is nothing apart from this relation.

He reveals his philosophical profundity in the following passage:

> "As we cannot speak of *the distance of any object without* implying some other object, *between which and the former this relation exists*, so we cannot speak of the value of a commodity but in reference to *another commodity* ||825| *compared with it*. A thing cannot be valuable in itself without reference to another thing" (Is social labour, to which the value of a commodity is related, not another thing?) "any more than a thing can be *distant in itself* without reference to another thing" (loc. cit., p. 5).

If[p] a thing is distant from another, the distance is in fact a relation between the one thing and the other; but at the same time, the distance is something different from this relation between the two things. It is a dimension of space, it is a certain length which may as well express the distance of two other things besides those compared. But this is not all. If we speak of the distance as a relation between two things, we presuppose something "intrinsic", some "property" of the things themselves, which enables them to be distant from each other. What is the distance between the syllable A and a table? The question would be nonsensical. In speaking of the distance of two things, we speak of their difference in space. Thus we suppose both of them to be contained in space, to be points of space. Thus we equalise them as being both existences of space, and only after having them equalised *sub specie spatii*[q] we distinguish them as different points of space. To belong to space is their unity.*

But what is this unity of objects exchanged against each other? This exchange is not a relation which exists between them as natural things. It is likewise not a

relation which they bear as natural things to human needs, for it is not the degree of their utility that determines the quantities in which they exchange. What is therefore their identity, which enables them to be exchanged in certain proportions for one another? As what do they become *exchangeable?*

In fact, in all this Bailey merely follows the author of the *Verbal Observations*.

> "... it" (value) "cannot alter as to one of the objects compared, without altering as to the other..." (loc. cit., p. 5).

This again simply means that the expression of the value of one commodity in another commodity can only change as *such an expression*. And the expression as such presupposes not one but two commodities.

Mr. Bailey is of the opinion that if one were to consider *only two commodities—in* exchange with one another—one would automatically discover the mere relativity of *value*, in his sense. The fool. As if it were not just as necessary to say, in connection with [two] commodities which exchange with one another—two products which are related to one another as *commodities—in what* they are identical, as it would be in the case of a thousand. For that matter, if only two products existed, the products would never become commodities, and consequently the exchange-value of commodities would never evolve either. The necessity for the labour in product I to manifest itself as social labour would not arise. Because the product is not produced as an immediate object of consumption for the producers, but only as a *bearer of value*, as a claim, so to speak, to a certain quantity of all materialised social labour, all products as *values* are compelled to assume a form of existence distinct from their existence as use-values, And it is this development of the labour embodied in them as social labour, it is the development of their *value*, which

determines the formation of money, the necessity for commodities to represent themselves in respect of one another as *money—which* means merely as independent forms of existence of exchange-value—and they can only do this by setting apart one commodity from the mass of commodities, and all of them measuring their values in the use-value of this excluded commodity, thereby directly transforming the labour embodied in this exclusive commodity into *general, social* labour.

Mr. Bailey, with his queer way of thinking which only grasps the surface appearance of things, concludes on the contrary: Only *because*, besides commodities, *money* exists, and we are so used to regarding the value of *commodities* not in their relation to one another but as a relation to a *third*, as ||826| a third relation distinct from the *direct* relation, is the *concept of value* evolved—and consequently value is transformed from the merely quantitative relation in which commodities are exchanged for one another into something independent of this relation (and this, he thinks, transforms the value of commodities into something absolute, into a scholastic entity existing in isolation from the commodities). According to Bailey, it is not the determination of the product as value which leads to the establishment of money and which expresses itself in *money*, but it is the existence of money which leads to the fiction of the concept of value. Historically it is quite correct that the search for value is at first based on money, the *visible* expression of commodities as value, and that consequently the search for the definition of value is (wrongly) represented as a search for a commodity of "invariable value", or for a commodity which is an "invariable measure of value". Since Mr. Bailey now demonstrates that money as an external measure of value—and expression of value—has fulfilled its purpose, even though it has a *variable* value, he thinks he has done away with the question of the concept of

value—which is not affected by the variability of the magnitudes of value of commodities—and that in fact it is no longer necessary to attribute any meaning at all to value. Because the representation of the value of a commodity in money—in a third, exclusive commodity—does not exclude variation in the value of this third commodity, because the problem of an "invariable measure of value" disappears, the problem of the determination of value itself disappears. Bailey carries on this insipid rigmarole for hundreds of pages, with great self-satisfaction.

The following passages, in which he constantly repeats the same thing, are, in part, illicitly copied from the "*Verbal Disputes*".

> Supposing that only two commodities existed, both exchangeable in proportion to the amount of labour [they contained], "If [...] A should, at a subsequent period, require double the quantity of labour for its production, while B continued to require only the same, A would become of double value to B... But although B continued to be produced by the same labour, it would not continue of the same value, for it would exchange for only half the quantity of A, the only *commodity*, by the supposition, with which it could be compared" (loc. cit., p. 6).

> "*It is from this circumstance of constant reference to other commodities*" (instead of regarding value *merely as a relation between two commodities*) "or to *money*, when we are *speaking of the relation between any two commodities*, that the *notion of value*, as *something intrinsic and absolute*, has arisen" (op. cit., p. 8).

> "What I assert is, that if all commodities were produced under exactly the same circumstances, as for instance, by labour alone, any commodity, which always required the same quantity of labour, could not be *invariable in value*" <that is, invariable when its value is *expressed* in other

> commodities—a tautology> "while every other commodity underwent alteration" (op. cit., pp. 20-21).
>
> Value is nothing intrinsic and absolute... (op. cit., p. 23).[r]
>
> "It is impossible to *d e s i g n a t e*, or *e x p r e s s the value* of a commodity, except by a *quantity of some other commodity*" (op. cit., p. 26).

(As impossible as it is to "*designate*" or "*express*" a thought except by a quantity of syllables. Hence Bailey concludes that a thought is—syllables.)

> "Instead of regarding value as a *relation between two objects*, they" (Ricardo and his followers) "seem to consider it as a positive result produced by a definite quantity of labour" (op. cit., p. 30).
>
> "Because the values of A and B, according to their doctrine, are to each other as the quantities of producing labour, or ... are determined by the quantities of producing labour, they appear to have concluded, that the value of A alone, without reference to any thing else, is as the quantity of its producing labour. There is no meaning certainly in this last proposition..." (op. cit., pp. 31-32).
>
> They speak of "value as a sort of general and independent property" (op. cit., p. 35).
>
> "The value of a commodity must be its value in something" (loc. cit.).

We can see why it is so important for Bailey to limit value to *two commodities*, to understand it as the relation between *two commodities*, But a difficulty now arises:

> "The *value of a commodity* denoting its *relation of exchange* to some other commodity"

(what is in this context the purpose of the "relation ||827| of exchange"? Why not its "*exchange"?* But at the same time exchange is intended to express a *definite* relation, not *merely the fact of exchange*, Hence value is equal to relation in exchange)

> "... we may speak of it as money-value, corn-value, cloth-value, according to the commodity with which it is compared; and hence there are *a thousand different kinds of value, as many kinds of value as there are commodities in existence*, and all are equally *real* and equally *nominal*" (op. cit., p.39).

Here we have it. *Value* equals *price*. There is no difference between them. And there is no "intrinsic" difference between *money price* and any other expression of price, although it is the *money price* and not the cloth price, etc., which expresses the *nominal value*, the general value of the commodity.

But although the commodity has a thousand different kinds of value, or a thousand different prices, as many kinds of value as there are commodities in existence, all these thousand expressions always express *the same value*. The best proof of this is that all these different expressions are *equivalents* which not only can replace one another in this expression, but do replace one another in exchange itself. This *relation* of the commodity, with the price of which we are concerned, is expressed in a thousand different "relations in exchange" to all the different commodities and yet always expresses *the same* relation. Thus this relation, which remains the same, is distinct from its thousand different expressions, or value is different from price, and the *prices* are only expressions of value: money price is its *general* expression, other prices are *particular* expressions. It is not even this simple conclusion that Bailey arrives at. In this context Ricardo is not a fictionist but Bailey is a fetishist in that he

conceives value, though not as a property of the individual object (considered in isolation), but as a *relation of objects to one another*, while it is only a representation in objects, an objective expression, of a relation between men, a social relation, the relationship of men to their reciprocal productive activity.

[β) Confusion with Regard to Profit and the Value of Labour]

[Bailey says the following about the value of labour.]

> "Hence Mr. Ricardo, ingeniously enough, avoids a difficulty, which, on a first view, threatens to encumber his doctrine, that value depends on the quantity of labour employed in production. If this principle is rigidly adhered to, it follows, that the *value of labour depends on the quantity of labour employed in producing* it—which is evidently absurd. By a dexterous turn, therefore, Mr. Ricardo makes the *value of labour* depend on *the quantity of labour required to produce wages*, or, to give him the benefit of his own language, he maintains, that the value of labour is *to be estimated* by the quantity of labour required to produce wages, by which he means, the quantity of labour required to produce the money or commodities given to the labourer. This is similar to saying, that the value of cloth is to be estimated, not by the quantity of labour bestowed on its production, but by the quantity of labour bestowed on the production of the silver for which the cloth is exchanged" (op. cit., pp. 50-51).

This is a justified criticism of Ricardo's mistake of making capital exchange directly with labour instead of with labour-power. It is the same objection which we have already come across in another form.[s] Nothing else. Bailey's comparison cannot be applied to labour-power. It is not cloth, but an organic product such as mutton, that he ought to compare with living lab our-power. Apart from the labour involved in tending live-

stock and that required for the production of their food, the labour required for their production is not to be understood as meaning the labour which they themselves perform in the act of consumption, the act of eating, drinking, in short, the appropriation of those products or means of subsistence. It is just the same with labour-power. [What does] the labour required for its production consist of? Apart from the labour involved in developing a person's labour—power, his *education*, his apprenticeship—and this hardly arises in relation to unskilled labour—its reproduction costs no labour apart from that involved in the reproduction of the means of subsistence which the labourer consumes. The appropriation of these means of subsistence is not "*labour*". ||828| Any more than the labour contained in the cloth, in addition to the labour of the weaver and the labour which is contained in the wool, the dye-stuff, etc., comprises the chemical or physical action of the wool in absorbing the dye-stuff, etc., an action which corresponds to the appropriation of the means of subsistence by the worker or the cattle.

Bailey then seeks to invalidate Ricardo's law that the value of labour and profit stand in *inverse* proportion to one another. He seeks, moreover, to invalidate that part of it which is correct. Like Ricardo, he identifies surplus-value with profit. He does not mention the one possible exception to this law, namely, when the working-day is lengthened and workers and capitalists share equally in that prolongation, but even then, since the value of the working power will be consumed more quickly—in fewer years—the surplus-value rises at the expense of the working-man's life, and his working power depreciates in comparison with the surplus-value it yields to the capitalist.

Bailey's reasoning is most superficial. Its starting-point is his conception of value. The value of the commodity is the expression of its value in a certain quantity of other

values in use (the use-value of other commodities). The value of labour is thus equal to the quantity of other commodities (use-values) for which it is exchanged. (The real problem, how it is possible to express the value in exchange of A in the value in use of B—does not even occur to him.) So long, therefore, as the worker receives the same quantity of commodities, the value of labour remains unchanged, because, as before, it is expressed in the same quantity of other useful things. Profit, on the other hand, expresses a relation to capital, or else to the total product. The *portion* received by the worker can, however, remain the same although the *proportion* received by the capitalist rises if the productivity of labour increases. It is not clear why, in dealing with capital, we suddenly come to a proportion and of what use this *proportion is* supposed to be to the capitalist, since the value of what he receives is determined not by the proportion, but by its "expression in other commodities".

The point he makes here has, in fact, already been mentioned by Malthus.[t] Wages are equal to a quantity of *use-values*. Profit, on the other hand, is (but Bailey must avoid saying so) a relation of *value*. If I measure wages according to use-value and profit according to exchange-value, it is quite evident that neither an inverse nor any other kind of relation exists between them, because I should then be comparing incommensurable magnitudes, things which have nothing in common.

But what Bailey says here about the *value of labour* applies—according to his principle—to the *value of every other commodity* as well. It is nothing but a certain quantity of other things exchanged against it. If I receive 20 lbs. of twist for £1, then [according to this theory] the value of the £1 always remains the same, and will therefore be always paid, although the labour required to produce 1 lb. of twist can on one occasion be double that required on another. The most ordinary

merchant does not believe that he is getting the same value for his £1 when he receives 1 quarter of wheat for it in a period of famine and the same amount in a period of glut. But the concept of value ends here. And there remains only the unexplained and inexplicable fact that a quantity of A is exchanged against a quantity of B in an arbitrary proportion. And whatever that proportion may be it is an equivalent. Even Bailey's formula, the value of A expressed in B, thus becomes quite meaningless. If the value of A is expressed in B, the same value is supposed to be expressed, at one time in A, and at another time in B, so that, when it is expressed in B, the value of A remains the same as it was before. But according to Bailey there is no value of A that could be expressed in B, because neither A nor B have a value apart from that expression. The value of A expressed in B must be something quite different from the value of A in C, as different as B and *C* are. It is not the same value, identical in both expressions, but there are two relations of A which have nothing in common with each other, and of which it would be nonsense to say that they are equivalent expressions.[u]

||829| "... a rise or fall of labour implies an increase or decrease in the quantity of the commodity given in exchange for it" (op. cit., p. 62).

Nonsense! [From Bailey's standpoint] there can be no rise or fall in the value of labour, nor in the value of any other thing. For one A I get today 3 Bs, tomorrow 6 Bs and the day after tomorrow 2 Bs. But [according to Bailey] in all these cases the value of A is nothing but the quantity of B for which it has been exchanged. It was 3 Bs, it is now 6 Bs. How can its value be said to have risen or fallen? The A expressed in 3 Bs had a different value from that expressed in 6 Bs or 2 Bs. But then it is not the identical A which at the identical time has been exchanged for 3 or 2 or 6 Bs. The identical A at the identical time has always been expressed in the same

quantity of B. It is only with regard to different moments of time that it could be said the value of A had changed. But it is only with "contemporaneous" commodities that A can be exchanged, and it is only the fact (not even the mere possibility of exchange) of exchange with other commodities which makes [according to Bailey] A a value. It is only the actual "relation in exchange" which constitutes its value; and the actual "relation in exchange" can of course only take place for the same A at the identical time. Bailey therefore declares the comparison of commodity values at different periods to be nonsense. But at the same time he should also have declared the rise or fall of value—which is impossible if there is no comparison between the value of a commodity at one time and its value at another time—to be nonsense and consequently, also, the "*rise or fall in the value of labour*".

> "Labour is an exchangeable thing, or one which commands other things in exchange; but the term profits denotes only a share or *proportion of commodities, not an article which can be exchanged against other articles*. When we ask whether wages have risen, we mean, whether a definite portion of labour exchanges for a greater quantity of other things than before" (loc. cit., pp. 62-63).

(Thus when corn becomes dearer, the value of labour falls because less corn is exchanged for it. On the other hand, if cloth becomes cheaper at the same time, the value of labour *rises* simultaneously, because more cloth can be exchanged for it. Thus the value of labour both rises and falls at the same time and the two expressions of its value—in corn and in cloth—are not identical, not equivalent, because its *increased* value cannot be equal to its *reduced value*.)

> "... but when we ask whether profits have risen, we ... mean ... whether the gain of the capitalist bears a higher ratio to the capital employed..." (loc. cit., p. 63).

> "... the value of labour does not entirely depend on the proportion of the whole produce which is given to the labourers in exchange for their labour, but also on the productiveness of [...] labour" (loc. cit., pp. 63-64).

> "The proposition, that when labour rises profits must fall, is true only when its rise is not owing to an increase in its productive powers" (loc. cit., p. 64).

> "... if this productive power be augmented, that is, if the same labour produce more commodities in the same time, labour may rise in value without a fall, nay even with a rise of profits" (loc. cit., p. 66).

(Accordingly it can also be said of every other commodity that a rise in its value does not imply a fall in the value of the other commodity with which it exchanges, nay, may even imply a rise in value on the other side. For instance, supposing the same labour which produced 1 quarter of corn, now produces 3 quarters. The 3 quarters cost £1, as the one quarter did before. If 2 quarters are now exchanged for £1, the value of money has risen, because it is expressed in 2 quarters instead of one. Thus the purchaser of corn gets a greater value for his money. But the seller who sells for £1 what has cost him only $^{2}/_{3}$ [of £1] gains $^{1}/_{3}$. And thus the value of his corn has risen at the same time that the money price of corn has fallen.)

> ||830| "Whatever the produce of the labour of six men might be, whether 100 or 200 or 300 quarters of corn, yet so long as the proportion of the capitalist was one-fourth of the produce, that fourth part estimated in labour would be invariably the same."

(And so would the $^{3}/_{4}$ of the produce accruing to the labourer, if estimated in labour.)

> "Were the produce 100 quarters, then, as 75 quarters would be given to 6 men, the 25

> accruing to the capitalist would command the labour of 2 men;"

(and that given to the labourers would command the labour of 6 men)

> "if the produce were 300 quarters, the 6 men would obtain 225 quarters, and the 75 falling to the capitalist would still command 2 men and no more."

(Likewise the 225 quarters falling to the 6 men would still command 6 men and no more.) (Why does the almighty Bailey then forbid Ricardo to estimate the portion of the men, as well as that of the capitalist, in labour, and compare their mutual value as expressed in labour?)

> "Thus a rise in the proportion which went to the capitalist would be the same as an increase of the *value of profits estimated in labour*,"

(How can he speak of the *value of profits* and an increase in their value, if "profit ... does not denote an article which can be exchanged against other articles" (see above) and, consequently, denotes no "value"? And, on the other hand, is a rise in the *proportion* which went to the capitalist possible without a fall *in the proportion* that goes to the labourer?)

> "or, in other words, an increase in their power of commanding labour" (op. cit., p. 69).

(And is this *increase* in the power of the capitalist to appropriate the labour of others not exactly identical with the *decrease* in the power of the labourer to appropriate his own labour?)

> "Should it be objected to the doctrine of profits and the value of labour rising at the same time, that as *the commodity produced is the only source whence the capita list and the labourer can obtain their remuneration*, it necessarily follows that what one gains the

> other loses, the reply is obvious. So long as the product continues the same, this is undeniably true; but it is equally undeniable, that if the product be doubled *the portion of both may be increased*, although *the proportion of one is lessened and that of the other augmented*" (loc. cit., p. 70).

(This is just what Ricardo says. The *proportion* of both cannot increase, and if the *portion* of both increases, it cannot increase in the same proportion, as otherwise portion and proportion would be identical. The proportion of the one cannot increase without that of the other decreasing. However, that Mr. Bailey calls the *portion* of the labourer "*value*" of "wages", and the *proportion* [of the capitalist] value of "profits", in other words, that the same commodity has two values for him, one in the hands of the labourer, and the other in the hands of the capitalist, is nonsense of his own.)

> "So long as the product continues the same, this is undeniably true; but it is equally undeniable, that if the product be doubled the *portion* of both may be increased, although the *proportion* of one is lessened and that of the other augmented. Now it is an increase in the *portion* of the product assigned to the labourer which constitutes a rise in the *value* of his labour..."

(because here we understand by *value* a certain quantity of *articles*)

> "... but it is an increase in the *proportion* assigned to the capitalist which constitutes a rise in [...] profits,"

(because here we understand by *value* the same articles not estimated by their quantity, but by the labour worked up in them)

> "*whence*"

(that is, because of the absurd use of two measures, in the one case articles, in the other case the value of the same articles)

> "it clearly follows, that there is nothing inconsistent in the supposition of a *simultaneous rise in both*" (loc. cit., p. 70).

This absurd argument against Ricardo is quite ||831| futile since he merely declares that the *value* of the two portions must rise and fall in inverse proportion to one another. It merely amounts to a repetition by Bailey of his proposition that *value* is the quantity of articles exchanged for an article. In dealing with *profit* he was bound to find himself in an embarrassing position. For here, the value of capital is compared with the value of the product. Here he seeks refuge in taking *value* to mean the value of an article estimated in labour (in the Malthusian manner).

> "Value is a relation between *contemporary* commodities, because such only admit of being exchanged for each other; and if we compare the value of a commodity at one time with its value at another, it is only a comparison of the relation in which it stood at these different times to some other commodity" (op. cit., p. 72).

Consequently, as has been stated, value can neither rise nor fall, for this always involves comparing the value of a commodity at one time with its value at another. A commodity cannot be sold below its value any more than above it, for its value is what it is sold for. Value and market price are identical. In fact one cannot speak either of "*contemporary*" commodities, or of *present* values, but only of *past* ones. What is the value of 1 quarter of wheat? The £1 for which it was sold yesterday. For its value is only what one gets in exchange for it, and as long as it is not exchanged, its "relation to money" is only imaginary. But as soon as the exchange has been

transacted, we have £1 instead of the quarter of wheat and we can no longer speak of the value of the quarter of wheat. In comparing values at different periods, Bailey has in mind merely academic researches into the different values of commodities, for example in the eighteenth and the sixteenth centuries. There the difficulty arises from the fact that the same monetary expression of value—owing to the vicissitudes of the value of money itself—denotes different values [at different times]. The difficulty here lies in reducing the money price to value. But what a fool he is! Is it not a fact that, in the process of circulation or the process of reproduction of capital, the value of one period is constantly compared with that of another period, an operation upon which production itself is based?

Mr. Bailey does not understand at all what the expressions—to determine the value of commodities by labour-time or by the value of labour—mean. He simply does not understand the difference.

> "... I beg not to be understood as contending, either that the values of commodities are to each other as the *quantities of labour* necessary for their production, or that the values of commodities are to each other as the *values of the labour:* all that I intend to insist upon is, that if the former is true, the latter cannot be false..." (op. cit., p. 92).

The determination of the value of commodities by the value of another commodity (and insofar as they are determined by the "value of labour", they are determined by another commodity; for *value of labour* presupposes labour as a commodity) and its determination by a third entity, which has neither value nor is itself a commodity, but is the substance of value, and that which turns products into commodities, are for Bailey identical. In the first case, it is a question of a *measure of the value of commodities*, that is, in fact, of *money*, of a commodity in which the other commodities *express* their value. In

order that this can happen, the *values* of the commodities must already be *presupposed*. The commodity which measures as well as that to be measured must have a *third* element in common. In the second case, this *identity* itself is first established; later it is expressed in the price, either money price or any other price.

Bailey identifies the "invariable measure of value" with the search for an immanent measure of value, that is, the concept of value itself. So long as the two are confused it is even a reasonable instinct which leads to the search for an "invariable measure of value". Variability is precisely the characteristic of value. The term "invariable" expresses the fact that the immanent measure of value must not itself be a commodity, a value, but rather something which constitutes value and which is *therefore* also the immanent *measure* of value. Bailey demonstrates ||832| that commodity values can find a monetary expression and that, if the *value relation of commodities is given*, all commodities can express their value in *one* commodity, although the value of this commodity may change. But it nevertheless always remains the same for the other commodities at a given time, since it changes simultaneously in relation to all of them. From this *he* concludes that no value relation between commodities is necessary nor is there any need to look for one. Because he finds it reflected in the *monetary expression*, he does not need to "understand" how this expression becomes possible, how it is determined, and *what* in fact it expresses.

These remarks, in general, apply to Bailey as they do to Malthus, since he believes that one is concerned with *the same* question, on the same plane, whether one makes quantity of labour or value of labour the measure of value. In the latter case, one presupposes the *values* whose measure is being sought, that is to say, their external measure, their representation as value. In the first case one investigates the genesis and immanent

nature of value itself. In the second, the development of the commodity into money or the form which exchange-value acquires in the process of the exchange of commodities. In the first, we are concerned with *value*, independent of this representation, or rather *antecedent* to this representation. Bailey has this in common with the other fools: to determine the value of commodities means to find their *monetary expression*, an external measure of their value. They say, however, impelled by an instinctive thought, that this measure then must have invariable value, and must itself therefore stand *outside the category* of value, whereas Bailey says that one does not need to understand it, since one does in fact find the *expression of value* in practice, and this expression itself has and can have variable value without prejudice to its function.

In particular, he himself has informed us that 100, 200 or 300 quarters can be the product of the labour of 6 men, that is, of the same quantity of labour, whereas "value of labour" only means for him the portion of the 100, 200 or 300 quarters which the 6 men receive. This could be 50, 60 or 70 quarters per man. The quantity of labour and the value of the same quantity of labour are therefore, according to Bailey himself, very different expressions. And how can it be the same if the value is expressed first in one thing and then in something essentially different? If the same labour which formerly produced 3 quarters of corn now produces 1 quarter, while the same labour which formerly produced 20 yards of cloth (or 3 quarters of corn) still produces 20 yards, then, reckoned according to labour-time, 1 quarter of corn is now equal to 20 yards of cloth, or 20 yards of cloth to 1 quarter of corn, and 3 quarters of corn equal 60 yards of cloth instead of 20. Thus the values of the quarter of corn and the yard of linen have been altered relatively. But they have by no means been altered according to the value of labour, for 1 quarter of corn and 20 yards of cloth

remain the same use-values as before. And it is possible that 1 quarter of corn does not command a larger quantity of labour than before.

If we take a single commodity, then Bailey's assertion makes no sense whatever. If the labour-time required for the production of shoes decreases and now only one-tenth of the labour-time formerly required is necessary, then the value of shoes drops to one-tenth of the former value; and this also holds true when the shoes are *compared* with, or expressed in, other commodities, provided the labour required for their production has remained the same or has not decreased at the same rate. Nevertheless, the value of labour—for example the daily wage in shoemaking as well as in all other industries—may have remained the same; or it may even have increased. Less labour is contained in the individual shoe, hence also less paid labour. But when one speaks of the *value of labour*, one does not mean that for one hour's labour, i.e., for a smaller quantity of labour, less is paid than for a greater quantity. Bailey's proposition could have meaning only in relation to the total product of capital. Suppose 200 pairs of shoes are the product of the same capital (and the same labour) which formerly produced 100 pairs. In this case, the value of the 200 pairs is the same as [previously] that of 100 pairs. And it could be said that the 200 pairs of shoes are to 1,000 yards of linen (say the product of £200 of capital) as the *value* of the labour set in motion by the two amounts of capital. In what sense? In the sense in which it would *also* apply ||833| to the relation of the individual shoe to the single yard of linen?

The *value* of labour is the part of the labour-time contained in a commodity which the worker himself appropriates; it is the part of the product in which the *labour-time which belongs to the worker himself is embodied*. If the entire value of a commodity is reduced to paid and unpaid labour-time—and if the rate of unpaid

to paid labour is the same, that is, if surplus-value constitutes the same proportion of total value in all commodities—then it is clear that if the ratio of one commodity to another is proportional to the total quantity of labour they contain, they must also represent *equal proportionate parts* of these total quantities of labour, and their ratio must therefore also be as that of the paid labour-time in one commodity to the paid labour-time in the other.

C [commodity]: C'=TLT (total labour-time [embodied in C]) to TLT' (total labour-time [embodied in C']). TLT/x= the paid labour-time in C, and TLT'/x= the paid labour-time in C', since it is presupposed that the paid labour-time in both commodities constitutes the same *proportional part* of the total labour-time.

C:C'=TLT : TLT'

TLT : TLT' = TLT/x:TLT'/x

therefore C : C'=TLT/x : TLT'/x

or the commodities are to one another as *the quantities of paid labour-time contained in them*, that is, as the values of the labour contained in them.

The *value of labour* is then, however, not determined in the way Bailey would like, but by the labour-time [contained in the commodity].

Further, disregarding the conversion of values into prices of production and considering only the values themselves, capitals consist of different proportions of variable and constant capital. Hence, as far as values are concerned, the surplus-values are not equal, or the paid labour does not form the same proportion of the total labour advanced.

In general, wages—or values of labour—would here be indices of the values of commodities, not as values, not insofar as wages rise or fall, but insofar as the *quantity of paid labour*—represented by wages—contained in a commodity would be an index of the *total quantity* of the labour contained in the corresponding commodities.

In a word, the point is that, if the values of commodities are to one another as LT to LT' (the amounts of labour-time contained in them), then their ratio is likewise as LT/*x* to LT'/*x*, i.e., the amounts of paid labour-time embodied in them, *if* the proportion of the paid labour-time to the unpaid is the same in all commodities, that is, *if* the paid labour-time is always equal to the total labour-time, whatever this may be, divided by *x*. But the "if" does not correspond to the real state of affairs. Supposing that the workers in different industries work the same amount of surplus labour-time, the relation of paid to actually employed labour-time is nevertheless different in different industries, because the ratio of *immediate labour* employed to *accumulated labour* employed is different. [Let us take two capitals consisting] for example, the one of 50v [variable] and 50c [constant] and the other of 10v and 90c. In both cases, let the unpaid labour amount to one-tenth. [The value of] the first commodity would accordingly be 105, [of] the second 101. The paid labour-time would be equal to one-half of the labour advanced in the first case, and only to one-tenth in the second.

||834|Bailey says:

> "... if commodities are to each other as the quantities, they must also be to each other as the va1ues of the producing labour; for the contrary would necessarily imply, that the two commodities A and B might be equal in value, although the value of the labour employed in one was greater or less than the value of the labour employed in the other; or that A and B might be unequal in value, if the labour

> employed in each was equal in value. But this *difference in the value of two commodities*, which were *produced by labour of equal value*, would be inconsistent with *the acknowledged equality of profits*, which Mr. *Ricardo maintains in common with other writers*" (op. cit., pp. 79-80).

In this last phrase, Bailey stumbles unconsciously on a real objection to Ricardo, who directly identifies profit with surplus-value and values with cost-prices. Correctly stated, it is-if the commodities are sold at their *value*, they yield *unequal profits*, for then profit is equal to the surplus-value embodied in them. And this is correct. But this objection does not refer to the theory of value, but to a blunder of Ricardo's in applying this theory.

How little Bailey himself, in the above passage, can have correctly understood the problem, is shown in the following statement:

Ricardo on the other hand maintains "that labour may rise and fall in value without affecting the value of the commodity. This is obviously a very different proposition from the other, and depends in fact on the falsity of the other, or on the contrary proposition" (loc. cit., p. 81).

The fool himself previously asserted that the result of the same labour may be 100, 200 or 300 quarters [of corn]. This determines the relation of a quarter to other commodities irrespective of the changing value of labour, that is, irrespective of how much of the 100, 200 or 300 quarters falls to the labourer himself. The fool would have shown some consistency if he had said: the values of labour may rise or fall, nevertheless the values of commodities are as the values of labour, because—according to a false assumption—the rise or fall of wages is general, and the value of wages always forms the same *proportionate part* of the total quantity of labour employed.

[γ) Confusion of Value and Price. Bailey's Subjective Standpoint]

[Bailey says:]

> "...the capability of *expressing* the values of commodities has nothing to do with the *constancy of their values*..."

<Indeed not! but it has much to do with first finding the value, before expressing it; finding in what way the values in use, so different from each other, fall under the common category and denomination of *value*, so that the value of one commodity may be expressed in the other>

> "... either to each other or to the medium employed; neither has the capability of comparing these *expressions of value* anything to do with it."

<If the values of different commodities are expressed in the same third commodity, however variable its value may be, it is of course very easy to compare these *expressions*, which already have a common denomination.>

> "Whether A is worth 4 B or 6 B"

<the difficulty consists in equating A with a portion of B; and this is only possible if there exists a common element for A and B, or if A and B are different representations of the same element. If all commodities are to be expressed in gold, or money, the difficulty remains the same. There must be an element common to gold and to each of the other commodities>

> "... and whether C is worth 8 B or 12 B, are circumstances which make no difference *in the power of expressing* the value of A and C in B, and certainly no difference in the power of comparing the value of A and C when expressed" (op. cit., pp. 104-05).

But how [is it possible] to *express* A in B or C? In order to *express* " them" in each other, or, what amounts to the same thing, to treat them as equivalent expressions of the same unity, A, B, C must all be considered as something different from what they are as things, as products, as values in use. A=4 B. Then the value of A is *expressed* in 4 B, and the value of 4 B in A, so that both sides express the same. They are equivalents. They are both *equal* expressions of value. It would be the same if they were unequal ones or A greater than 4 B, A smaller than 4 B. In all these cases they are, insofar ||835| as they are values, only different or equal in quantity, but they are always quantities of the same quality. The difficulty is to find this quality.

> "The requisite condition in the process is, that the commodities to be measured should be reduced to a *common denomination*"

<for example, in order to compare a triangle with any of the other polygons it is only necessary to transform the latter into triangles, to express them in triangles. But to do this the triangle and the polygon are in fact supposed to be something *identical*, different figures of the same thing—space>

> "... which may be done at all times with equal facility; or rather it *is* ready done to our hands, since it is the *prices* of commodities which are recorded, or their relations in value to money" (op. cit., p. 112).

> "*Estimating* value is the same thing as *expressing it*..." (op. cit., p. 152).

We have the fellow here. We find the values measured, expressed in the *prices*. We can therefore [asserts Bailey] content ourselves with *not* knowing what value is. He confuses the development of the measure of value into money and further the development of money as the standard of price with the discovery of the *concept of*

value itself in its development as the immanent measure of commodities in exchange. He is right in thinking that this money need not be a commodity of invariable value; from this he concludes that no separate determination of value independent of the commodity itself is necessary.

As soon as the value of commodities, as the element they have in common, is given, the measurement of their relative value and the expression of this value coincide. But we can never arrive at the *expression* so long as we do not find the common factor, which is different from the immediate existence of the commodities.

This is shown by the very example he gives, the distance between A and B.[v] When one speaks of their distance one already presupposes that they are points (or lines) in space. Having been reduced to points, and points of the same line, their distance may be expressed in inches, or feet, etc. The element the two commodities A and B have in common is, at first sight, their exchangeability. They are "exchangeable" objects. As "exchangeable" objects they are magnitudes of the same denomination. But this "their" existence as "exchangeable" objects must be different from their existence as values in use. What is it?

Money is already a *representation* of value, and presupposes it. As the *standard* of price money, for its part, already presupposes the (hypothetical) transformation of the commodity into money. If the values of all commodities are represented in money prices, then one can compare them, they are in fact already compared. But for the value to be represented as price, the value of commodities must have been expressed previously as money. Money is merely the form in which the value of commodities appears in the process of circulation. But how can one express *x* cotton in y money? This question resolves itself into this—how is it at all possible to express one commodity in another, or

how to present commodities as equivalents? Only the elaboration of value, independent of the representation of one commodity in another, provides the answer.

It is a "... mistake ... that the relation of value can exist between commodities at different periods, which is in the nature of the case impossible; and if no relation exists there can be no measurement of it" (op. cit., p. 113).

We have already had the same nonsense before.[w] "The relation of value between commodities at different periods" already exists when money acts as means of payment. The whole circulation process is a perpetual comparison of values of commodities at different periods.

> "... if [...] it" (money) "is not a good medium of comparison between commodities at different periods [it asserts] its incapability of performing a function in a case where there is no function for it to perform"[x] (op. cit., p. 118).

Money has this function to perform as means of payment and as treasure.

All this is simply copied from the "verbal observer" and in fact the secret of the whole nonsense oozes out in the following phrase which has also convinced me that the *Verbal Observations*,[y] which were very carefully concealed by Bailey, were used by him in the manner of a plagiarist.

||836| "Riches are the attribute of men, value is the attribute of commodities. A man or a community is rich; a pearl or a diamond is valuable" (op. cit., p. 165).

A pearl or a diamond is valuable *as* a pearl or a diamond, that is, by their qualities, as values in use for men, that is, as *riches*. But there is nothing in a pearl or

a diamond by which a relation of exchange between them is given, etc.

Bailey now becomes a profound philosopher:

Difference between labour as *cause* and *measure*, and in general between *cause* and *measure* of value (op. cit., p. 170 et seq.).[z]

There is, in actual fact, a very significant difference (which Bailey does not notice) between "measure" (in the sense of money) and "cause of value". The "cause" of value transforms use-values into *value*. The external measure of value already presupposes the existence of *value*. For example, gold can only measure the value of cotton if gold and cotton—as values—possess a *common factor* which is different from both. The "cause" of value is the substance of value and hence also its immanent measure.

> "Whatever circumstances ... act with assignable influence, whether mediately or immediately, on the *mind* in the interchange of commodities, may be considered as causes of value" (op. cit., pp. 182-83).

This in fact means nothing more than: the *cause* of the value of a commodity or of the fact that two commodities are equivalent are the circumstances which cause the seller, or perhaps both the buyer and the seller, to consider something to be the value or the equivalent of a commodity. The "circumstances" which determine the value of a commodity are by no means further elucidated by being described as circumstances which influence the "mind" of those engaging in exchange, as circumstances which, as such, likewise exist (or perhaps they do not, or perhaps they are incorrectly conceived) in the consciousness of those engaging in exchange.

These same circumstances (independent of the mind, but influencing it), which compel the producers to sell

their products as commodities—circumstances which differentiate one form of social production from another—provide their products with an exchange-value which (also in their mind) is independent of their use-value. Their "mind", their consciousness, may be completely ignorant of, unaware of the existence of, what in fact determines the value of their products or their products as values. They are placed in relationships which determine their thinking but they may not know it. Anyone can use money as money without necessarily understanding what money is. Economic categories are reflected in the mind in a very distorted fashion. He [Bailey] transfers the problem into the sphere of consciousness, because his theory has got stuck.

Instead of explaining what he himself understands by "value" (or "cause of value") Bailey tells us that it is something which buyers and sellers imagine in the act of exchange.

In fact, however, the following considerations are the basis of the would-be philosophical proposition.

1) The market price is determined by various circumstances which express themselves in the relation of demand and supply and which, as such, influence "the mind" of the operators on the market. This is a very important discovery!

2) In connection with the *conversion of commodity values into cost-prices*, "various circumstances" are taken into account which as "reasons for compensation" influence the mind or are reflected in the mind. All these reasons for compensation, however, affect only the mind of the capitalist as capitalist and stem from the nature of capitalist production itself, and not from the subjective notions of buyers and sellers. In their mind they exist rather as self-evident "eternal truths".

Like his predecessors, Bailey catches hold of Ricardo's confusion of values and cost-prices in order to prove that value is not determined by labour, because cost-prices are deviations from values. Although this is quite correct in relation to Ricardo's identification [of values with cost-prices], it is incorrect as far as the question itself is concerned.

In this context, Bailey quotes first from Ricardo himself about the change in the relative values of ||837| commodities in consequence of a rise in the value of labour. He quotes further the "effect of time" (different times of production though the labour-time remains unchanged), the same case which aroused scruples in Mill.[aa] He does not notice the real *general* contradiction—the very existence of *an average rate* of profit, despite the different composition of capital [in different industries], its different times of circulation, etc. He simply repeats the particular forms in which the contradiction appears, and which Ricardo himself—and his followers—had *already* noticed. Here he merely echoes what has been previously said but does not advance criticism a step forward.

He emphasises further that the costs of production are the main cause of "value", and therefore the main element in value. However, he stresses correctly—as was done [by other writers] after Ricardo—that the concept of *production costs* itself varies. He himself in the last analysis expresses his agreement with Torrens that value is determined by the capital advanced, which is correct in relation to cost-prices but meaningless if it is not evolved on the basis of value itself, that is, if the *value of a commodity* is to be derived from a more developed relationship, the *value of capital*, and not the other way round.

His last objection is this: The value of commodities cannot be measured by labour-time if the labour-time in

one trade is not the same as in the others, so that the commodity in which, for example, 12 hours of an engineer's labour is embodied has perhaps twice the value of the commodity in which 12 hours of the labour of an agricultural labourer is embodied. What this amounts to is the following: A simple working-day, for example, is not a measure of value if there are other working-days which, compared with days of simple labour, have the effect of composite working-days. Ricardo showed that this fact does not prevent the measurement of commodities by labour-time if the relation between unskilled and skilled labour is given. He has indeed not described how this relation develops and is determined. This belongs to the definition of *wages*, and, in the last analysis, can be reduced to the *different values of labour power itself*, that is, its varying production costs (determined by labour-time).

The passages in which Bailey expresses what has been summarised above are:

> "It is not, indeed, disputed, that the main circumstance, which determines the quantities in which articles of this class" (that is, where no monopoly exists and where it is possible to increase output by expanding industry)
>
> "are exchanged, is the *cost of production;* but our best economists do not exactly agree on the meaning to be attached to this term; some contending that the *quantity of labour* expended on the production of an article constitutes its cost; others, that the *capital employed upon it* is entitled to that appellation" (op. cit., p. 200).
>
> "What the labourer produces without capital, costs him his labour; what the capitalist produces costs him his capital" (p. 201).

(This is the factor which determines Torrens's views. The labour which the capitalist employs, costs him nothing apart from the capital he lays out in wages.)

> " ... the mass of commodities are determined in value by the capital expended upon them" (p. 206).

[Bailey raises the following objections] to the determination of the value of commodities simply by the quantity of labour contained in them:

> "Now this cannot be true if we can find any instances of the following nature: 1) Cases in which two commodities have been produced by an equal quantity of labour, and yet sell for different quantities of money. 2) Cases in which two commodities, once equal in value, have become unequal in value, without any change in the quantity of labour respectively employed in each" (p. 209).

> "It is no answer" (with regard to cases of the first kind) "to say, with Mr. Ricardo, that 'the estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes'; or with Mr. Mill, that 'in estimating equal quantities of labour, an allowance would, of course, be included for different degrees of hardness and skill'. Instances of this kind entirely destroy the integrity of the rule" (p. 210).

> "There are only two possible methods of comparing one quantity of labour with another; one is to compare them by *the time expended*, the other *by the results produced*" (the latter is done in the piece-rate system). "The former is applicable to all kinds of labour; the latter can be used only in comparing labour bestowed on similar articles. If therefore, in estimating two different sorts of work, the time spent will not determine the proportion between the ||839| quantities of labour, it must remain undetermined and undeterminable" (p. 215).

With reference to 2: "Take any two commodities of equal value, A and B, one produced by fixed capital and the other by labour, without the intervention of machinery; and suppose, that without any change

whatever in the fixed capital or the quantity of labour, there should happen to be a rise in the value of labour; according to Mr. Ricardo's own showing, A and B would be instantly altered in their relation to each other; that is, they would become unequal in value" (pp. 215-16).

> "To these cases we may add the *effect of time* on value. If a commodity take more time than another for its production, *although no more capital and labour*, its value will be greater. The influence of this cause is admitted by Mr. Ricardo, but Mr. Mill contends..." and so on (loc. cit. [p. 217]).

Finally Mr. Bailey remarks, and this is the only new contribution he makes in this respect:

> "... although we have arranged commodities under three divisions,"[bb] <this, i.e., the three divisions, is again taken from the author of the *Verbal Observations*> (these three divisions depend on the existence of absolute monopoly, limited monopoly, as is the case with corn, or completely free competition) "yet they are all, not only promiscuously exchanged for each other, but *blended in production*. A commodity, therefore, may owe part of its value to monopoly, and part to those causes which determine the value of unmonopolised products. An article, for instance, may be manufactured amidst the freest competition out of a raw material, which a complete monopoly enables its producer to sell at six times the actual cost" (p. 223).

> "In this case it is obvious, that although the value of the article might be correctly said to be determined by the quantity of capital expended upon it by the manufacturer, yet no analysis could possibly resolve the value of the capital into quantity of labour" (pp. 223-24).

This remark is correct. But monopoly does not concern us here, where we are dealing with two things only, *value* and *cost-price*. It is clear that the conversion of value into cost-price works in two ways. First, the

profit which is added to the capital advanced may be either above or below the *surplus-value* which is contained in the commodity itself, that is, it may represent more or less *unpaid* labour than the commodity itself contains. This applies to the variable part of capital and its reproduction in the commodity. But apart from this, the cost-price of constant capital—or of the commodities which enter into the value of the newly produced commodity as raw materials, auxiliary materials and machinery [or] labour conditions—may likewise be either above or below its value. Thus the commodity comprises a portion of the price which differs from value, and this portion is independent of the quantity of labour newly added, or of the labour whereby these conditions of production with given cost-prices are transformed into a new product. It is clear that what applies to the difference between the cost-price and the value of the *commodity* as such—as a result of the production process—likewise applies to the *commodity* insofar as, in the form of constant capital, it becomes an ingredient, a pre-condition, of the production process. Variable capital, whatever difference between value and cost-price it may contain, is replaced by a certain quantity of labour which forms a constituent part of the value of the new commodity, irrespective of whether its price expresses its value correctly or stands above or below the value. On the other hand, the difference between cost-price and value, insofar as it enters into the price of the new commodity independently of its own production process, is incorporated into the value of the new commodity as an antecedent element.

The difference between the cost-price and the value of the commodity is thus brought about in two ways: by the difference between the cost-price and the values of commodities which constitute the pre-conditions of the process of production of the new commodity; by the difference between the surplus-value which is really

added to the conditions of production and the profit which is calculated [on the capital advanced]. But every commodity which enters into another commodity as constant capital, itself emerges as the result, the product, of another production process. And so the commodity appears alternately as a pre-condition for the production of other commodities and as the result of a process in which the existence of other commodities is the pre-condition for its own production. In agriculture (cattle-breeding), the same commodity appears at one point of time as a product and at another as a condition of production.

This important deviation of cost-prices from values brought about by capitalist production does not alter the fact that cost-prices continue to be determined by values.

4. McCulloch

[a) Vulgarisation and Complete Decline of the Ricardian System under the Guise of Its Logical Completion. Cynical Apologia for Capitalist Production. Unprincipled Eclecticism]

||840| McCulloch, the vulgariser of Ricardian political economy and simultaneously the most pitiful embodiment of its decline.

He vulgarises not only Ricardo but also James Mill.

He is moreover a vulgar economist in everything and an apologist for the existing state of affairs. His only fear, driven to ridiculous extremes, is the tendency of profit to fall; he is perfectly contented with the position of the workers, and in general, with all the contradictions of

bourgeois economy which weigh heavily upon the working class. Here everything is green. He even knows that

> "the introduction of machines into any employment necessarily occasions an equal or greater demand *for the disengaged labourers* in some other employment" [J. R. McCulloch, *The Principles of Political Economy*, Edinburgh, 1825, pp. 181-82; quoted by Cazenove in *Outlines of Political Economy*, London, 1832, pp. 119-20].

In this question he deviates from Ricardo, and in his later writings, he also becomes very mealy-mouthed about the landowners. But his whole tender anxiety is reserved for the poor capitalists, in view of the tendency of the rate of profit to fall.

Mr. McCulloch, unlike other exponents of science, seems to look not for *characteristic differences*, but only "for *resemblances;* and proceeding upon this principle, he is led to confound material with immaterial objects; productive with unproductive labour; capital with revenue; the food of the labourer with the labourer himself; production with consumption; and labour with profits"[cc] (T. R. Malthus, *Definitions in Political Economy*, London, 1827, pp. 69-70).

> "Mr. McCulloch, in his *Principles of Political Economy*,
> divides *value* into *real* and *exchangeable*;[dd]
> the former, he says, (page 225)[ee] is dependent on the quantity of labour required for the production of any commodity,[ff] and the latter on the *quantity of labour, or of any other commodity*, for which it will *exchange;* and these two values are, he says, (page 215), *identical*, in the ordinary state of things, that is, when the supply of commodities in the market is exactly proportioned to the effectual demand for them. Now, if they be identical, the two quantities of labour which he refers to must be

> identical also; but, at page 221, he tells us that they are not, for that the one includes profits, while the other excludes them" ([John Cazenove,] *Out- lines of Political Economy*, London, 1832, p. 25).

McCulloch says [in a note] on page 221 of his *Principles of Political Economy:*

> "In point of fact, it" (the commodity) "will always exchange for more"<labour than has been required for its production> "*and it is this excess that constitutes profits*."

This is a brilliant example of the methods used by this arch-humbug of a Scotsman.

The arguments of Malthus, Bailey, etc., compel him to differentiate between *real value* and *exchangeable* or *relative value*. But he does so, basically, in the way he finds the difference dealt with by Ricardo. *Real* value means the commodity examined with regard to the labour required for *its* production; *relative* value implies the consideration of the proportions of *different commodities* which can be produced in the same amount of time, which are *consequently* equivalents, and the value of one of which can therefore be *expressed* in the quantity of use-value of the other which costs the same amount of labour-time. The *relative value* of commodities, in this Ricardian sense, is only another expression for their *real value* and means nothing more than that the commodities exchange with one another in proportion to the labour-time embodied in them, in other words, that the *labour-time embodied in both is equal*. If, therefore, the market price of a commodity is equal to its exchange-value (as is the case when supply and demand are in equilibrium), then the commodity bought contains as much labour as that which is sold. It merely realises its exchange-value, or it is only sold at

its *exchange-value* when one receives *the same amount of labour* in exchange for it as one hands over.

McCulloch relates all this, correctly repeating what has already been said. But he goes too far here since the Malthusian definition of exchange-value—the quantity of wage-labour which a commodity commands—already sticks in his throat. He therefore defines relative value as the "quantity of labour, *or* of any other commodity, for which it" (a commodity) "will exchange". Ricardo, in dealing with relative value, always speaks only of commodities and does not include labour, since in the exchange of commodities a profit is only realised because in the exchange between commodity and labour *unequal* quantities of labour are exchanged. By putting the main emphasis right at the beginning of his book on the fact that the determination of the value ||841| of a commodity by the labour-time embodied in it differs immensely from the determination of this value by the quantity of labour which it can buy, Ricardo, on the one hand, establishes the difference between the quantity of labour contained in a commodity and the quantity of labour which it commands. On the other hand, he excludes the exchange of commodity and labour from the relative value of a commodity. For if a commodity is exchanged for a commodity, equal quantities of labour are exchanged; but if a commodity is exchanged for labour, unequal quantities of labour are exchanged, and capitalist production rests on the inequality of this exchange. Ricardo does not explain how this *exception* fits in with the concept of value. This is the reason for the arguments amongst his followers. But his instinct is sound when he makes the *exception*. (In actual fact, there is no exception; it exists only in *his* formulation.) Thus McCulloch goes farther than Ricardo and is apparently more consistent than he.

There is no flaw in his system; it is all of a piece. Whether a commodity is exchanged for a

commodity or for labour, this ratio of exchange is the *relative value* of the commodity. And if the commodities exchanged are sold at their value (i.e., if demand and supply coincide), this relative value is always the expression of the *real value*. That is, there are equal quantities of labour at both poles of the exchange. Thus "in the ordinary state of things" a commodity only exchanges for a quantity of wage-labour equal to the quantity of labour contained in it. The workman receives in wages just as much materialised labour as he gives back to capital in the form of immediate labour. With this the source of surplus-value disappears and the whole Ricardian theory collapses.

Thus Mr. McCulloch first destroys it under the appearance of making it more consistent.

And what next? He then flits shamelessly from Ricardo to Malthus, according to whom the value of a commodity is determined by the quantity of labour which it buys and which must always be greater than that which the commodity itself contains. The only difference is that in Malthus this is plainly stated to be what it is, *opposition* to Ricardo, and Mr. McCulloch adopts this opposite viewpoint after he has adopted the Ricardian formula with an apparent consistency (that is, with the consistency of incogitancy) which destroys the whole sense of the Ricardian theory. McCulloch therefore does not understand the essential kernel of Ricardo's teaching—how profit is realised because commodities exchange *at their value—and* abandons it. Since exchangeable value—which "in the ordinary state of [...] the market" is, according to McCulloch, equal to the real value but "*in point of fact*" is always greater, since profit is based on this surplus (a fine contradiction and a fine discourse based on a "point of fact")—is "the quantity of labour, or of any other commodity", for which the commodity is exchanged, hence what applies to "labour" applies to "any other commodity". This means that the

commodity is not only exchanged for a greater amount of immediate labour than it itself contains, but for more materialised labour in the other commodities than it itself contains; in other words, profit is "profit upon expropriation" and with this we are back again amongst the Mercantilists. Malthus draws this conclusion. With McCulloch this conclusion follows naturally but with the pretence that this constitutes an elaboration of the Ricardian system.

And this total decline of the Ricardian system into twaddle—a decline which prides itself on being its most consistent exposition—has been accepted by the mob, especially by the mob on the Continent (with Herr Roscher naturally amongst them), as the conclusion of the Ricardian system *carried too far*, to its extreme limit; they thus believe Mr. McCulloch that the Ricardian mode of "coughing and spitting", which he uses to conceal his helpless, thoughtless and unprincipled eclecticism, is in fact a scientific attempt to set forth Ricardo's system consistently.

McCulloch is simply a man who wanted to turn Ricardian economics to his own advantage—an aim in which he succeeded in a most remarkable degree. In the same way *Say* used Smith, but Say at least made a contribution by bringing Smith's theories into a certain formal order and, apart from misconceptions, he occasionally also ventured to advance theoretical objections. Since McCulloch first obtained a professorial chair in London on account of Ricardian economics, in the beginning he had to come forward as a Ricardian and especially to participate in the struggle against the landlords. As soon as he had obtained a foothold and climbed to a position on Ricardo's shoulders, ||842| his main effort was directed to expounding political economy, especially Ricardian economics, within the framework of Whiggism and to eliminate all conclusions which were distasteful to the Whigs. His last works on

money, taxes, etc., are mere pleas on behalf of the Whig Cabinet of the day. In this way the man secured lucrative jobs. His statistical writings are merely catch-penny efforts. The incogitant decline and vulgarisation of the theory likewise reveal the fellow himself as a vulgarian, a matter to which we shall have to return before we have done with that speculating Scotsman.

In *1828* McCulloch published Smith's *Wealth of Nations*, and the fourth volume of this edition contains his own "notes" and "dissertations" in which, to pad out the volume, he reprints in part some mediocre essays which he had published previously, e.g., on "entail", and which have absolutely nothing to do with the matter, and in part, his lectures on the history of political economy repeated almost verbatim; he himself says that he "largely draws upon them"; in part, however, he tries in his own way to assimilate the new ideas advanced in the interim by Mill and by Ricardo's opponents.

In his *Principles of Political Economy*, Mr. McCulloch presents us with nothing more than a copy of his "notes" and "dissertations" which he had already copied from his earlier "scattered manuscripts". But things turned out slightly worse in the *Principles*, for inconsistencies are of less importance in notes than in an allegedly methodical treatment. Thus the passages quoted above, though they are, in part, taken verbatim from the "notes", look rather less inconsistent in these "notes" than they do in the *Principles*. <In addition the *Principles* contain plagiarisms of Mill amplified by absurd illustrations, and reprints of articles on corn trade, etc., which he has repeatedly published, maybe verbatim, under twenty different titles in different periodicals, often even in *the same* periodical at different periods.>

In the above-mentioned *Volume IV* of his edition of Adam Smith (London, 1828), Mac says (he repeats the same thing word for word in his *Principles of Political*

Economy but without making the distinctions which he still felt to be necessary in the "notes"):

> "... it is necessary to distinguish between the *exchangeable value*, and the *real* or *cost value* of commodities or products. By the *first, o*r the exchange able value of a commodity or product, is meant its power or capacity of exchanging either for other commodities *or* for labour; and by the *second*, or its real or cost value, is meant the quantity of labour which it required for its production or appropriation, or rather the quantity which would be required for the production or appropriation of a similar commodity at the time when the investigation is made" ([J. R. McCulloch in: Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. IV, London, 1828,] pp. 85-86 [Note II]).
>
> "A *commodity* produced by a certain quantity of labour will" <when the supply of commodities is equal to the effectual demand> "uniformly exchange for, or buy any other commodity produced by the same quantity of labour. It will never, however, exchange for, or buy exactly the same quantity of labour that produced it; but though it will not do this, it will *always* exchange for, or buy the same quantity of labour as any other commodity produced under the same circumstances, or by means of the same quantity of labour, as itself" (op. cit., pp. 96-97).
>
> "*In point of fact*" (this phrase is repeated literally in the *Principles*, since, in point of fact, this "in point of fact" constitutes the whole of his deduction), "it" (the commodity) "will always exchange for more" (viz., for more labour than that by which it was produced) "*and it is this excess that constitutes profits*. No capitalist could have *any motive*" (as if the "motive" of the buyer was the point in question when dealing with the exchange of commodities and the investigation of their value) "to exchange the produce of a given quantity of labour already performed ||843| for the produce of the

> same *quantity of labour to be performed*. This would be *to lend*" ("to exchange" would be "to lend") "without receiving any interest on the loan" (loc. cit., p. 96 [note to Note II]).

Let us start at the end.

If the capitalist did not get back more labour than the amount he advances in wages, he would "lend" without receiving a "profit". What has to be explained is how profit is possible if commodities (labour or other commodities) are exchanged at their value. And the answer is that no profit would be possible if equivalents were exchanged. It is assumed, first of all, that capitalist and worker "exchange". And then, in order to explain profit, it is assumed that they do "not" exchange, but that one of the parties lends (i.e., gives commodities) and the other borrows, that is, pays only after he has received the commodities. In other words, in order to explain profit, it is said that the capitalist secures "no interest" if he makes no profit. This is [putting] the thing wrongly. The commodities in which the capitalist pays wages and the commodities which he gets back as a result of the labour, are different *use-values*. He does not therefore receive back what he advanced, any more than he does when he exchanges one commodity for another. Whether he buys another commodity, or whether he buys the specific [commodity] labour which produces the other commodity for him, amounts to the same. For the use-value he advances he receives back another use-value, as happens in all exchanges of commodities. If, on the other hand, one pays attention only to the value of the commodity, then it is no longer a contradiction to exchange "a given quantity of labour already performed" for "the same quantity of labour to be performed" (although the capitalist in fact pays only after the labour *has been* performed), nor is it a contradiction to exchange a quantity of labour performed for the same quantity of labour performed. This latter is an insipid tautology. The first part of the passage implies that "the

labour to be performed" will be embodied in a use-value different from that in which the labour performed is embodied. In this case there is thus a difference [between the objects to be exchanged] and, consequently, a motive for exchange arising out of the relationship itself, but this is not so in the other case, since A only exchanges for A insofar as in this exchange it is a matter of the quantity of labour. This is why Mr. Mac has recourse to the *motive*. The motive of the capitalist is to receive back a greater "quantity of labour" than he advances. Profit is here explained by the fact that the capitalist has the *motive* to make "profit". But the same thing can be said about the sale of goods by the merchant and about every sale of commodities not for consumption but for gain. The seller has no motive to exchange a quantity of performed labour for the same quantity of performed labour. His motive is to get in return more performed labour than he gives away. Hence he *must* get more performed labour in the form of money or commodities than he gives away in the form of a commodity or of money. He must, therefore, buy cheaper than he sells, and sell dearer than he has bought. Profit *upon alienation* is thus explained, not by the fact that it corresponds to the law of value, but by declaring that buyers and sellers have no "motive" for buying and selling in accordance with the law of value. This is Mac's first "sublime" discovery, it fits beautifully into the Ricardian system, which seeks to show how the law of value asserts itself despite the "motives" of seller and buyer.

||844| For the rest, Mac's presentation in the "notes" differs from the one in the *Principles* only in the following:

In the *Principles* he makes a distinction between "real value" and "relative value" and says that both are equal "under ordinary circumstances" but "in point of fact" they

cannot be equal if there is to be a profit. He therefore says merely that the "fact" contradicts the "principle".

In the "notes" he distinguishes three sorts of value: "real value", the "relative value" of a commodity in its exchange with other commodities, and the relative value of a commodity exchanged with labour. The "relative value" of a commodity in its exchange with another commodity is its *real* value *expressed* in another commodity, or in an "equivalent". On the other hand, its relative value in exchange with labour is its real value expressed in another real value that is greater than itself. That means, its value is the exchange with a greater value, with a non-equivalent. If it were exchanged for an equivalent in labour, then there would be no profit. The value of a commodity in its exchange with labour is a greater value.

Problem: The Ricardian definition of value conflicts with the exchange of commodities with labour.

Mac's solution: In the exchange of a commodity with labour the law of value does not exist, but its contrary. Otherwise profit could not be explained. Profit for him, the Ricardian, is to be explained by the law of value.

Solution: The law of value (in this case) is profit. "In point of fact" Mac only reiterates what the opponents of the Ricardian theory say, namely, that there would be *no profit* if the law of value applied to exchange between capital and labour. Consequently, they say, the Ricardian theory of value is invalid. He [McCulloch] says that *in this case*, which he must explain by the Ricardian law, the law does not exist and that in this case "value" "means" something else.

From this it is obvious how little he understands of the Ricardian law. Otherwise he would have had to say that profit arising in exchange between commodities which

are exchanged in proportion to the labour-time [embodied in them], is due to the fact that "unpaid" labour is contained in the commodities. In other words, the unequal exchange between capital and labour explains the exchange of commodities at their value and the profit which is realised in the course of this exchange. Instead of this he says: Commodities which contain the same amount of labour-time command the same amount of surplus labour, which is not contained in them. He believes that in this way he has reconciled Ricardo's propositions with those of Malthus, by establishing an identity between the determination of the value of commodities by labour-time and the determination of the value of commodities by their command over labour. But what does it mean when he says that commodities which contain the same amount of labour-time command the same amount of *surplus* labour in addition to the labour contained in them? It means nothing more than that a commodity in which a *definite* amount of labour-time is embodied commands a definite quantity of surplus labour [that is, more labour] than it itself contains. That this applies not only to commodity A, in which *x* hours of labour-time are embodied, but also to commodity B, in which *x* hours of labour-time are likewise embodied, follows by definition from the Malthusian formula itself.

The contradiction is therefore solved by Mac in this way: If the Ricardian theory of value were really a valid one, then profit, and consequently capital and capitalist production, would be impossible. This is exactly what Ricardo's opponents assert. And this is what Mac answers them, how he refutes them. And in so doing, he does not notice the beauty of an explanation of exchangeable value in [exchange with] labour which amounts to saying that *value is exchange for something which has no value*.

[b) Distortion of the Concept of Labour Through Its Extension to Processes of Nature. Confusion of Exchange-Value and Use-Value]

||845| After Mr. Mac has thus abandoned the basis of Ricardian political economy, he proceeds even further and destroys the basis of this basis.

The first difficulty in the Ricardian system was [to present] the exchange of capital and labour so that it corresponded to the "*law of value*".

The second difficulty was that *capitals of equal magnitude*, no matter what their organic composition, yield *equal profits* or the *general rate of profit*. This is indeed the unrecognised problem of how values are converted into cost-prices.

The difficulty arose because *capitals of equal magnitude*, but of unequal composition—it is immaterial whether the unequal composition is due to the capitals containing unequal proportions of constant and variable capital, or of fixed and circulating capital, or to the unequal period of circulation of the capitals—set in motion *unequal* quantities of immediate labour, and therefore unequal quantities of unpaid labour; consequently they cannot appropriate equal quantities of surplus-value or surplus product in the process of production. Hence they cannot yield equal profit if profit is nothing but the surplus-value calculated on the value of the whole capital advanced. *If, how-ever, the surplus-value were something different from (unpaid) labour, then labour could after all not be the "foundation and measure" of the value of commodities.*

The difficulties arising in this context were discovered by Ricardo himself (although not in their general form) and set forth by him as *exceptions* to the law of

value. Malthus used these exceptions to throw the whole law overboard on the grounds that the exceptions constituted the rule. Torrens, who also criticised Ricardo, indicated the problem at any rate when he said that *capitals of equal size set unequal quantities of labour in motion, and nevertheless produce commodities of equal "values", hence value cannot be determined by labour. Ditto Bailey*, etc. *Mill* for his part accepted the exceptions noted by Ricardo as exceptions, and he had no scruples about them except with regard to one single form. One particular *cause of the equalisation* of the profits of the capitalists he found *incompatible* with the law. It was the following. Certain commodities remain in the process of production (for example, wine in the cellar) without any labour being applied to them; there is a period during which they are subject to certain natural processes (for example, prolonged breaks in labour occur in agriculture and in tanning before certain new chemicals are applied—these cases are not mentioned by Mill). These periods are nevertheless considered as profit-yielding. The period of time during which the commodity is not being worked on by labour [is regarded] as labour-time (the same thing in general applies where a *longer period of circulation time is involved). Mill "lied" his way—so to speak—out of the difficulty by saying that one can consider the time in which the wine*, for example, is in the cellar as a period when it is soaking up labour, *although* according to the assumption this is, in point of fact, not the case. Otherwise one would have to say that "time" creates profit and [according to Mill] time as such is "sound and fury". McCulloch uses this balderdash of Mill as a starting-point, or rather he reproduces it in his customary affected, plagiarist manner in a general form in which the latent nonsense becomes apparent and the last vestiges of the Ricardian system, as of all economic thinking whatsoever, are happily discarded.

On closer consideration, all the difficulties mentioned above resolve themselves into the following difficulty.

That part of capital which enters into the production process in the form of commodities, i.e., as raw materials or tools, does not add more value to the product than it possessed before production. For it only has value insofar as it is embodied labour and the labour contained in it is in no way altered by its entry into the production process. It is to such an extent independent of the production process into which it enters and dependent on the socially determined labour required for its own production that its own value changes when more labour or less labour than it itself contains is required for its reproduction. As value, this part of capital therefore enters unchanged into the production process and emerges from it unchanged. Insofar as it really enters into the production process and is changed, this change affects only its *use-value*, i.e., it undergoes a change as *use-value*. And all operations undergone by the raw material or carried out by the instrument of labour are merely processes to which they are submitted as specific kinds of raw material, etc., and particular tools (spindles, etc.), processes which affect their use-value, but which, as processes, have nothing to do with their exchange-value. Exchange-value is maintained in this ||846| change. That is all.

It is different with that part of capital which is exchanged against labour-power. The use-value of labour-power is *labour*, the element which produces exchange-value. Since the labour provided by labour-power in industrial consumption is greater than the labour which is required for the reproduction of the labour-power, i.e., it provides more than an equivalent of the wages the worker receives, the value which the capitalist receives from the worker in exchange is greater than the price he pays for this labour. It follows from this that, if equal rates of exploitation are assumed, of two

capitals of equal size, that which sets less living labour in motion—whether this is due to the fact that the proportion of variable capital is less from the start, or to the fact that it has a [longer] period of circulation or period of production during which it is not exchanged against labour, does not come into contact with it, does not absorb it—will produce less surplus-value, and, in general, commodities of less value. How then can the *values* created be *equal* and the surplus-values proportional to the capital advanced? Ricardo was unable to answer this question because, put in this way, it is *absurd* since, in fact, neither equal values nor [equal] surplus-values are produced. Ricardo, however, did not understand the genesis of the general rate of profit nor, consequently, the transformation of values into cost-prices which differ specifically from them.

Mac, however, eliminates the difficulty by basing himself on Mill's insipid "evasion". One gets round the inconvenience by talking out of existence by means of a phrase the characteristic difference out of which it arose. This is the characteristic difference: The use-value of labour-power is labour; it consequently produces exchange-value. The use-value of the other commodities is use-value as distinct from exchange-value, therefore no change which this use-value undergoes can change the predetermined exchange-value. McCulloch gets round the difficulty by calling the use-values of commodities—exchange-value, and the operations in which they are involved as use-values, the services they render as use-values in production—*labour*. For after all, in ordinary life we speak of labouring animals, working machines, and even say poetically that the iron works in the furnace, or works under the blows of the hammer. It even screams. *And nothing is easier than to prove that every "operation" is labour, for labour is—an operation. In the same way one can prove that everything material*

experiences sensation, for everything which experiences sensation is—material.

> "... *labour* may *properly* be defined to be any sort of action or operation, whether performed by man, the lower animals, machinery, or natural agents, that tends to bring about any[gg] desirable result" (op. cit., p. 75, Note I).

And this does not by any means apply [solely] to instruments of labour. It is in the nature of things that this applies equally to raw materials. Wool undergoes a physical action or operation when it is dyed. In general, nothing can be acted upon physically, mechanically, chemically, etc., in order "to bring about any desirable result" without the thing itself reacting. It cannot therefore be worked upon without itself working. Thus all commodities which enter into the production process bring about an increase in value not only by retaining their own value, but by creating new value, because they "work" and are not merely materialised labour. In this way, all the difficulties are naturally eliminated. In reality, this is merely a paraphrase, a new name for Say's "productive services of capital", "productive services of land", etc., which Ricardo attacked continuously and against which Mac—strange to say—himself polemises in the same "dissertation" or "note" where he pompously presents his discovery, borrowed from Mill and embellished still further. In criticising Say, McCulloch makes lavish use of recollected passages from Ricardo and remembers that these "productive services" are in fact only the attributes displayed by things as *use-values* in the production process. But naturally, all this is changed when he calls these "productive services" by the sacramental name of "*labour*".

||847| *After Mac has happily transformed commodities into workers*, it goes without saying that these workers also draw wages and that, in addition to the

value they possess as "accumulated labour", they must be paid wages for their "operations" or "action". These wages of the commodities are pocketed by the capitalists *per procurationem;* they are "*wages of accumulated labour"—alias profit.* And this [according to McCulloch] is proof that equal profit on equal capitals, whether they set large or small amounts of labour in motion, follows directly from the determination of value by *labour-time*.

The most extraordinary thing about all this, as we have already noted, is the way Mac, at the very moment when he is basing himself on Mill and appropriating Say, hurls Ricardian phrases against Say. How literally he copies Say—except that where Say speaks of *action*, he [McCulloch] calls this action *labour*—can best be seen from the following passages from Ricardo where the latter is criticising Say.

> "M. Say ... imputes to him" (Adam Smith) "as an error, that 'he attributes to the *labour of man alone*, the power of producing value. A more correct analysis shows us that value is owing to the action of labour, or rather the industry of man, combined with the *action of those agents* which nature supplies, and with *that of capital.* His ignorance of this principle prevented him from establishing the true theory of the influence of machinery in the production of riches.' In contradiction to the opinion of Adam Smith, M. Say ... speaks of the value which is given to commodities by natural agents... But those natural agents, though they add greatly to *value in use*, never add *exchangeable value*, of which M. Say is speaking..." (David Ricardo, *Principles of Political Economy, and Taxation*, third ed., London, 1821, pp. 334-36).
>
> "... *machines* and natural agents might very greatly add to the riches of a country," but they do "not ... add any thing to the value of those riches" (loc. cit., p. 335 [note]).

Like all economists worth naming, [including] Adam Smith (although in a fit of humour he once called the ox a productive labourer), Ricardo emphasises that labour as *human activity*, even more, as socially determined *human activity*, is the sole source of value. It is precisely through the consistency with which he treats the value of commodities as merely "representing" socially determined labour, that Ricardo differs from the other economists. All these economists understand more or less clearly, but Ricardo more clearly than the others, that the exchange-value of *things* is a mere expression, a specific social form, of the productive activity of men, something entirely different from things and their use as things, whether in industrial or in non-industrial consumption. For them, value is, in fact, simply an objectively expressed relation of the productive activity of men, of the different types of labour to one another. When he argues against Say, Ricardo explicitly quotes the words of Destutt de Tracy, as expressing his own views.

> "As it is certain that our physical and moral faculties are alone our original riches, the *employment of those faculties*" (the faculties of men), "*labour of some kind*" (that is, labour as the realisation of the faculties of *men*), "is our only original treasure, and that it is always from this employment, that all those things are created which we call riches... It is certain too, that all *those t h i n g s only represent the labour which has created them*, and if they have *a value*, or even two distinct values, they can only derive them from that of the labour from which they emanate" ([Destutt do Tracy, *Elémens d'idéologie*, IV-e et V-e parties. "Traité de la volonté et de ses effets", Paris, 1826, pp. 35-36; quoted by Ricardo in his *Principles of Political Economy, and Taxation*, third ed., London, 1821,] p. 334).

Thus commodities, things in general, have value only because they *represent* human ||848| labour, not insofar

as they are things in themselves, but insofar as they are incarnations of social labour.

And yet some persons have had the temerity to say that the miserable Mac has taken Ricardo to extremes, he who, in his incogitant efforts to "utilise" the Ricardian theory eclectically along with those opposed to it, *identifies* its *basic principle* and that of all political economy—*labour itself* as human activity and as socially determined human activity—with the physical action, etc., which commodities possess as *use-values*, as things. He who abandons the very concept of labour itself!

Rendered insolent by Mill's "evasion", he plagiarises Say while arguing against him with Ricardian phrases and copies precisely those phrases of Say which Ricardo in Chapter 20 of his book, entitled "Value and Riches", attacks as being fundamentally opposed to his own ideas and those of Smith. (Roscher naturally repeats that Mac has carried Ricardo to extremes.) Mac, however, is sillier than Say, who does not call the "action" of fire, machinery, etc., *labour*. And more inconsistent.

While Say attributes the creation of "value" to wind, fire, etc., Mac considers that only those use-values, things, which can be monopolised create value, as if it were possible to utilise the wind, or steam, or water as motive power without the possession of windmills, steam-driven machinery or water-wheels! As if those who own, monopolise, the things, whose possession alone enables them to employ the natural agents, did not also monopolise the natural agents. I can have as much air, water, etc., as I like. But I possess them as productive agents only if I have the commodities, the things, by the use of which these agents will operate as such. Thus Mac is even lower than Say.

This vulgarisation of Ricardo represents the most complete and most frivolous decline of Ricardo's theory.

> "In so far, however, as that result" (i.e., the result produced by the action or operation of any thing) "is effected by the labour *or* operation of natural agents, that can neither be monopolised nor appropriated by a greater or smaller number of individuals to the exclusion of others, it has *no value*. What is done by these agents is done *gratuitously*" (J. R. McCulloch [in: Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. IV, London, 1828], p. 75 [Note I]).

As if what is done by cotton, wool, iron or machinery, were not also done "gratuitously". The machine costs money, but the operation of the machine is not paid for. No use-value of any kind of commodity costs anything after its exchange-value has been paid.

> "The man who sells oil makes no charge for its natural qualities. In estimating its cost he puts down the value of the labour employed in its pursuit, and such is its value" (H. C. Carey, *Principles of Political Economy*... Part I, Philadelphia, 1837, p. 47).

In arguing against Say, Ricardo emphasises precisely that the action of the machine, for example, costs just as little as that of wind and water.

> "... the services which ... natural agents *and m a c h i n e r y* perform for us ... are serviceable to us ... by adding to value in use; but as *they* perform their work *gratuitously* ... the assistance which they afford us, adds nothing to *value in exchange*" (David Ricardo, [*Principles of Political Economy, and Taxation*, third ed., London, 1821,] pp. 336-37).

Thus Mac has not understood the most elementary propositions of Ricardo. But the sly dog thinks: if the use-

value of cotton, machinery, etc., costs *nothing*, is not paid for apart from its exchange-value, then, on the other hand, this use-value is *sold* by those who use cotton, machinery, etc. They sell what costs them nothing.

||849| The brutal thoughtlessness of this fellow is evident, for after accepting Say's "principle", he sets forth rent with great emphasis, plagiarising extensively from Ricardo.

Land is a

> "natural agent" that can be "monopolised or appropriated by a greater or smaller number of individuals to the exclusion of others" [J. R. McCulloch, loc. cit., p. 75, Note I],

and its natural, vegetative action *or* "labour", its productive power, consequently has *value*, and rent is thus ascribed to the "productive power" of land, as is done by the Physiocrats. This is an outstanding example of Mac's way of vulgarising Ricardo. On the one hand, he copies Ricardo's arguments, which only make sense if they are based on the Ricardian assumptions, and on the other hand, he takes from others the direct negation of these assumptions (with the reservation that he uses his "nomenclature" or makes some small changes in the propositions). He should have said: "Rent is the wages of land" pocketed by the landowner.

> "If a capitalist expends the same sum in paying the wages of labourers, and maintaining horses, or in hiring a machine, and if the men, the horses, and the machine can all perform *the same piece of work, its* value will *obviously* be the same by whichever of them it may have been performed" (op. cit., p. 77 [Note I]).

In other words: the value of the product depends on the value of the capital laid out. This is the problem to be solved. The formulation of the problem is, according to Mac, "*obviously*" the solution of it. But since the

machine, for example, performs a greater piece of work than the men displaced by it, it is even more "obvious" that the product of the machine will not fall but rise in value compared with the value of the product of the men who "perform the same work". Since the machine can produce 10,000 units of work where a man can only produce one, and every unit has *the same value*, the product of the machine should be 10,000 times as dear as that "of man".

Moreover, in his anxiety to distinguish himself from Say by stating that *value is* produced not by the action of natural agents but only by the action of monopolised agents, or agents produced by labour, Mac gets into difficulties and falls back on Ricardian phrases. For example, the *labour* of the wind produces the desired effect on the ship (produces a change in it).

> "... but the *value* of that change is not increased by, and is in no degree dependent on, the operation or labour of the natural agents concerned, but on the *amount of capital*, or the *produce of previous labour*, that cooperated in the production of the effect; just as *the cost of grinding* corn does not depend on the action of the wind or water that turns the mill, but on the amount of capital *wasted* in the operation" (op. cit., p. 79 [Note I]).

Here, all of a sudden, grinding is viewed as adding value to the corn insofar only as capital—"the produce of previous labour"—is "wasted" in the act of grinding. That is, it is not due to the millstone "working", but to the fact that along with the "waste" of the millstone, the value contained in it, the labour embodied in it, is also "*wasted*".

After these pretty arguments, Mac sums up the wisdom (borrowed from Mill and Say) in which he brings the concept of value into harmony with all kinds of contradictory phenomena, in the following way:

> "... the word *labour* means ... in all discussions respecting *value* ... either the immediate labour of man, or the *labour of the capital* produced by man, or both" (op. cit., p. 84 [note to Note II]).

Hence labour ||850| is to be understood as meaning the labour of man, then his accumulated labour, and finally, the *practical application*, that is, the physical, etc., properties of use-values evolved in (industrial) consumption. Apart from these properties, use-value means nothing at all. Use-value operates only in consumption. Consequently, by the exchange-value of the products of labour, we [are to] understand the use-value of these products, for this use-value consists only in its *action*, or, as Mac calls it, "*labour*", in consumption, regardless of whether this is industrial consumption or not. However, the types of "operation", "action", or "labour" of use-values, as well as their physical measures, are as varied as the use-values themselves. But what is the unity, the measure by means of which we compare them? This is established by the general word "labour" which is substituted for these quite different applications of use-values, after labour itself has been reduced to the words "operation" or "action".

Thus, with the identification of use-value and exchange-value ends this vulgarisation of Ricardo, which we must therefore consider as the last and most sordid expression of the decline of the Ricardian school as such.

> "The *profits of capital* are only another name for the *wages of accumulated labour*" (J. R. McCulloch, *The Principles of Political Economy*, London, 1825, p. 291),

that is, for the wages paid to commodities for the services they render as *use-values* in production.

In addition, these wages of accumulated labour have their own mysterious connotation as far as Mr. McCulloch

is concerned. We have already mentioned that, apart from his plagiarism of Ricardo, Mill, Malthus and Say, which constitutes the real basis of his writings, he himself continually reprints and sells his "accumulated labour" under various titles, always "largely drawing" upon writings for which he has been paid before. This method of drawing "the wages of accumulated labour" was discussed at great length as early as *1826* in a special work, and what has not McCulloch done since then—from 1826 to 1862—with regard to drawing wages for accumulated labour! (This miserable phrase has also been adopted by Roscher in his role of Thucydides.)

The book referred to is called: *Some illustrations of Mr. McCulloch's Principles of Political Economy*, Edinburgh, 1826, by Mordecai Mullion. It traces how our *chevalier d'industrie* made a name for himself. Nine-tenths of his work is copied from Adam Smith, Ricardo and others, the remaining tenth being culled repeatedly from his own accumulated labour which he repeats most shamelessly and contemptibly. Mullion shows, for example, not only that McCulloch sold *the same articles* to *The Edinburgh Review* and *The Scotsman* and the *Encyclopaedia Britannica* as his own "dissertations" and as new works, but also that he published *the same* articles *word for word* and with only a few transpositions and under new titles in different issues of *The Edinburgh Review* over the years.

In this respect Mullion says the following about "this most incredible cobbler", "this most Economical of all Economists":

> "Mr. McCulloch's articles are as unlike as may be to the heavenly bodies [...] but, in one respect, they resemble such luminaries—they have stated times of return" ([Mordecai Mullion,] (op. cit., p. 21).

No wonder he believes in “the wages of accumulated labour.”

Mr. McCulloch’s fame illustrates the power of fraudulent baseness.

||850a| In order to perceive how McCulloch exploits some of Ricardo’s propositions to give himself airs, see, *inter alia, The Edinburgh Review* for March 1824, where this friend of the wages of accumulated labour gives vent to a veritable jeremiad about the fall in the rate of profit. (This claptrap is called “Considerations on the Accumulation of Capital”.)

> “The author ... expresses the fears in him by *the decline in profit* as follows:”
>
> > ‘...the condition of’ (England) ‘however prosperous in appearance, is had and unsound at bottom; [...] the plague of poverty is secretly creeping on the mass of her citizens; [...] the foundations of her power and greatness have been shaken... ’
> >
> > ‘... where [...] the rate of interest is low, as in [Holland and] England, [...] the profits of stock are also low [...], those are countries [...] that [...] are approaching the termination of their career.’
>
> “These observations must surprise everybody acquainted with England’s splendid situation” ([McCulloch, *Discours sur l’économie*, traduit par] Prévost, p. 197[hh]).

There was no need for Mr. Mac to distress himself over the fact that “land” gets better “wages” than “iron, bricks, etc.” The cause must be that it “labours” harder. |XIV-850a||

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||XV-925| <Even a blind sow sometimes finds an acorn and so does McCulloch in the following passages. But even this, as he presents it, is only an inconsistency, since he does not distinguish surplus-value from profit. Secondly, it is again one of his thoughtless, eclectic acts of plagiarism. According to fellows like Torrens, for whom value is determined by capital—and the same applies to Bailey—profit is proportionate to the capital advanced. Unlike Ricardo, they do not consider that profit and surplus-value are identical concepts, but only because they have no need whatsoever to explain profit on the basis of value, since they regard the visible form of surplus-value—profit as the relation of surplus-value to the capital advanced—as the original form and, in fact, they merely trans-late the apparent form into words.

The passages in Mac's work, who is (1) a Ricardian and (2) plagiarises Ricardo's opponents—without attempting to reconcile [the conflicting ideas]—read:

Ricardo's law [that a rise in profits can be brought about in no other way than by a fall in wages, and a fall in profits only by a rise in wages] is only true "in those cases in which the *productiveness of industry* [...] *remains constant*"***[ii]*** (J. R. McCulloch, *The Principles of Political Economy*, London, 1825, p. 373), that is, the productiveness of the industry which produces constant capital.

> "... profits depend on the proportion which they bear to the capital by which they are produced, and not on the proportion [...] to wages"[jj] (loc.cit., pp. 373-74). If the productivity of industry *in general* is doubled and the additional product thus obtained is divided between capitalists and workers, then the proportion of the share of the capitalists to that of the workers remains unchanged,

> although the *rate of profit* calculated on the capital advanced has risen.[kk]

Even in this case, as Mac also notes, one can say that *wages* have fallen relatively as compared with the product, because *profits* have risen. (But in this case it is the rise in profits which Is the cause of the fall in wages.) This calculation, however, rests on the incorrect method of calculating wages as a share in the product, and, as we saw previously, Mr. John Stuart Mill seeks to generalise the Ricardian law in this sophistical manner.> |XV-925||

5. Wakefield [Some Objections to Ricardo's Theory Regarding the "Value of Labour" and Rent]

||XIV-850a| Wakefield's real contribution to the understanding of capital has already been dealt with in the previous section on the *Conversion of Surplus-Value into Capital*. Here we shall only deal with what is directly relevant to the "topic".

> "Treating labour as a commodity, and capital, the produce of labour, as another, then, if the value of these two commodities were regulated by equal quantities of labour, a given amount of labour would, under all circumstances, exchange for that quantity of capital which had been produced by the same amount of labour; *antecedent labour* [...] would always exchange for the same amount of *present labour* [...] the[ll] value of labour in relation to other commodities, in so far, at least, as wages depend upon share, is determined, not by equal quantities of labour,

> but by the proportion between supply and demand" (Wakefield's edition of Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. I, London, 1835, pp. 230-31, note).

Thus, according to Wakefield, profit would be inexplicable if wages corresponded to the *value* of labour.

In Vol. II of his edition of Adam Smith's work Wakefield remarks:

> "Surplus produce [...] always constitutes rent: *still rent may be paid, which does not consist of surplus produce*" (p. 216).

> "If" (as in Ireland) "the bulk of a people be brought to live upon potatoes, and in hovels and rags, and to pay, for permission so to live, all that they can produce beyond hovels, rags, and potatoes, then, in proportion as they put up with less, the owner of the land on which they live, obtains mole, even though the return to capital or labour should remain unaltered. *What the miserable tenants give up, the landlord gathers.* [...] A[mm] *fall in the standard of living amongst the cultivators of the earth is another cause of surplus produce...* When wages fall, the effect upon surplus produce is the same as a fall in the standard of living: the whole produce remaining the same, the surplus part is greater; the producers have less, and the landlord more" (pp.220-21).

In this case, profit is called *rent*, just as it is called *interest* when, for example, as in India, the worker (although nominally independent) works with advances he receives from the capitalist and has to hand over all the surplus produce to the capitalist.

6. Stirling [Vulgarised Explanation of Profit by the Interrelation of Supply and Demand]

Patrick lames Stirling, *The Philosophy of Trade etc.*, Edinburgh, 1846.

> "... the quantity of every commodity [...] must be so regulated that the supply of each commodity shall bear a less proportion to the demand for it than the supply of labour bears to the demand for labour. The difference between the price or value of the commodity, and the price or value of the labour worked up in it [...] constitutes the [...] *profits*"[nn] (op. cit., pp. 72-73).

||851|The same author informs us:

When the values of commodities are exchanged with one another according to their production costs, "the value of these commodities may be said to be *at par*" (p. 18).[oo]

Thus if demand and supply of labour correspond with one another, then labour would be sold at its *value* (whatever Stirling may understand by value). And if demand and supply of the commodities in which the labour is worked up do correspond, then the commodities would be sold at their *production costs*, by which Stirling understands the *value of labour*. The price of the commodity would then be equal to the value of the labour worked up in it. And the price of labour would be on a par with its own *value*. The price of the commodity would therefore be equal to the price of the labour worked up in it. Consequently there would be no profit or surplus.

Stirling explains profit, or the surplus, in this way.

The supply of labour in relation to the demand for it must be greater than the supply of commodities in which the labour is worked up is in relation to the demand for them. The matter must be so arranged that the commodity is sold at a higher price than that paid for the labour contained in it.

This is what Mr. Stirling calls explaining the phenomenon of the surplus, whereas it is, in fact, nothing but a paraphrase of what is supposed to be explained. If we go into it further, then there are only three possibilities. [1] The price of labour is on a par with value, that is, the demand for and supply of labour balance, the price of labour is equal to the value of labour. In these circumstances, the commodities must be sold *above* their value, or things must be arranged in such a way that the supply is *below* the demand. This is pure "*profit upon alienation*", except that the condition is stated under which it is possible. [2] Or the demand for labour is greater than the supply and the price [of labour] is higher than its value. In these circumstances, the capitalist has paid the worker more than the value of the commodity, and the buyer must then pay the capitalist a twofold surplus—first to replace the amount he [the capitalist] has already paid to the worker and then his profit. [3] Or the price of labour is *below* its value and the supply of labour above the demand for it. The surplus would then arise from the fact that labour is paid *below its* value and is sold [embodied in commodities] at its *value* or, at least, above its *price*.

If one strips this of all nonsense, then Stirling's surplus is [here] due to the fact that labour is bought by the capitalist *below* its value and is sold again *above* its price in the form of commodities.

The other cases, divested of their ridiculous form—according to which the producer has to "arrange" matters in such a way that he is able to sell his commodity above its value, or above "the par of value"—mean nothing but that the *market price* of a commodity rises *above* its value, if the demand for it is greater than the supply. This is certainly not a new discovery and explains one sort of "surplus" which never caused Ricardo or anyone else the slightest difficulty. |XIV-851||

7. John Stuart Mill [Unsuccessful Attempts to Deduce the Ricardian Theory of the Inverse Proportionality Between the Rate of Profit and the Level of Wages Directly from the Law of Value]

[a) Confusion of the Rate of Surplus-value with the Rate of Profit. Elements of the Conception of "Profit upon Alienation". Confused Conception of the "Profits Advanced" by the Capitalist]

||VII-319| In the booklet mentioned above, which, in fact, contains all that is original in Mr. John Stuart Mill's writings about political economy (in contrast to his bulky compendium), he says in *Essay IV—"On Profits, and Interest":*

> "Tools and materials, like other things, have originally cost nothing but labour... The labour employed in making the tools and materials being added to the labour afterwards employed in working up the materials by the aid of tools, the sum total gives the whole of the labour employed in the production of the completed commodity... To *replace capital, is to replace nothing but the wages of the labour employed*" ([John Stuart Mill, *Essays on some Unsettled Questions of Political Economy*, London, 1844,] p. 94).

This in itself is quite wrong, because the employed labour and the wages paid are by no means identical. On the contrary, the employed labour is equal to the sum of wages and profit. To replace capital means to replace the labour for which the capitalist pays (wages) and the labour for which he does not pay but which he nevertheless sells (profit). Mr. Mill is here confusing "employed labour" and that portion of the employed labour which is paid for by the capitalist who employs it. This confusion is itself no recommendation for his understanding of the Ricardian theory, which he claims to teach.

Incidentally, it should be noted in relation to constant capital that though each part of it can be reduced to previous labour and therefore one can imagine that at some time it represented profit or wages or both, but once it exists as constant capital, one part of it—for example, seeds, etc.—can no longer be transformed into profit or wages.

Mill does not distinguish surplus-value from profit. He therefore declares that the *rate of profit* (and this is correct for the surplus-value which has already been transformed into profit) is equal to the ratio of the price of the product to the price of its means of production (labour included). (See pp. 92-93.) At the same time he seeks to deduce the laws governing the *rate of*

profit directly from the Ricardian law, in which Ricardo confuses surplus-value and profit, land to prove] that "profits depend upon wages; rising as wages fall, and falling as wages rise"[p.94].

Mr. Mill himself is not quite clear about the *question* which he seeks to answer. We will therefore formulate *his* question briefly before we hear his answer. The rate of profit is the ratio of surplus-value to the *total amount* of the capital advanced (constant and variable capital taken together) while surplus-value itself is the excess of the quantity of labour performed by the labourer over the quantity of labour which is advanced him as wages; that is, surplus-value is considered only in relation to the variable capital, or to the capital which is laid out in wages, not in relation to the whole capital. Thus the rate of surplus-value and the rate of profit are two different rates, although profit is only surplus-value considered from a particular point of view. It is correct to say with regard to the rate of surplus-value that it exclusively depends "upon wages; rising as wages fall, and falling as wages rise". (But it would be wrong with regard to the total amount of surplus-value, for this depends not only on the rate at which the surplus labour of the individual worker is appropriated but likewise on the number of workers exploited at the same time.) Since the rate of profit is the ratio of surplus-value to the total amount of capital advanced, it is naturally affected and determined by the fall or rise of surplus-value, and hence, by the rise or fall of wages, but in addition to this, the rate of profit includes factors ||320| which are independent of it and not directly reducible to it.

Mr. John Stuart Mill, who, on the one hand, *directly* identifies profit and surplus-value, like Ricardo, and, on the other hand (moved by considerations concerning the polemic against the anti-Ricardians), does not conceive the *rate of profit* in the

Ricardian sense, but in its real sense, as the *ratio* of surplus-value to the total value of the capital advanced (variable capital plus constant capital), goes to great lengths to prove that the rate of profit is determined *directly* by the law which determines surplus-value and can be simply reduced to the fact that the smaller the portion of the working-day in which the worker works for himself, the greater the portion going to the capitalist, and vice versa. We will now observe his torment, the worst part of which is that he is not sure which problem he really wants to solve. If he had formulated the problem correctly, it would have been impossible for him to solve it wrongly in *this* way.

He says, then:

> "Though [...] tools, materials, and buildings [...] are themselves the produce of labour [...] yet the *whole* of their value is not resolvable into the wages of the labourers by whom they were produced." <He says above that the replacement of capital is the replacement of wages.> The profits which the capitalists make on these wages, need to be added. The last capitalist has to replace from his product "not only *the wages* paid both by himself and by the tool-maker, but also the profit of the tool-maker, advanced by him himself out of his own capital" (op. cit., p. 98).[pp] Hence "... *profits* do not compose merely the *surplus* after replacing the outlay; they also enter into the outlay itself. Capital is expended partly in paying or reimbursing wages, and partly in paying the profits of other capitalists, whose concurrence was necessary in order to bring together the means of production" (loc. cit., pp. 98-99). "An article, therefore, may be *the produce of the same quantity of labour as before*, and yet, if any *portion of the profits* which the last producer has to make good to previous producers can be economised, *the cost of production of the article is diminished*... It is, therefore, strictly true, that the rate of profit varies inversely as

> the cost of production of wages" (op. cit., pp. 102-03).

We are naturally always working on the assumption here that the price of a commodity is equal to its value. It is on this basis that Mr. Mill himself carries on the investigation.

Profit, in the passages quoted, appears first of all to bear a very strong resemblance to profit upon alienation, but let us proceed. Nothing is more wrong than to say that (if it is sold at its *value*) an article is "the produce of the same quantity of labour as before" and at the same time that by some circumstance or other "the cost of production of the article" can be diminished. <Unless it is in the sense I first advanced, i.e., when I distinguished between the [real] production cost of the article and the production cost to the capitalist, since he does not pay a part of the production costs. In this case, it is indeed true that the capitalist makes his profit out of the unpaid surplus labour of his own workers just as he may also make it by *under-paying* the capitalist who supplies him with his constant capital, that is, by not paying this capitalist for a part of the sur-plus labour embodied in the commodity and not paid for by this capitalist (and which precisely for that reason constitutes his profit). This amounts to the fact that he always pays for the commodity *less* than its value. The rate of profit (that is, the ratio of surplus-value to the total value of the capital advanced) can increase either because the quantity of capital [goods] advanced by the capitalist becomes objectively cheaper (due to the increased productivity of labour in those spheres of production which produce constant capital) or because it be-comes subjectively cheaper for the buyer, since he pays for the goods at *less* than their value. *For him*, it is then always the result of a smaller quantity of labour.>

||321| What Mill says first of all, is that the *constant capital* of the capitalist who manufactures the last

commodity resolves not into wages alone, but also into profit. His line of reasoning is as follows:

If it were resolvable into wages alone, then profit would be the surplus accruing to the last capitalist after he has reimbursed himself for all wages paid <and the whole (paid) costs of the product could be reduced to wages>, which would constitute the whole of the capital advanced. The total value of the capital advanced would be equal to the total value of the wages embodied in the product. Profit would be the surplus over this. And since the rate of profit is equal to the ratio of this surplus to the total value of the capital advanced, then the rate of profit would obviously rise and fall in proportion to the total value of the capital advanced, that is, in proportion to the *value of wages*, the aggregate of which constitutes the capital advanced. <This objection is, in fact, silly, if we consider the *general* relation of profits and wages. Mr. Mill needed only to put on one side that part of the whole product which is resolvable into profit (irrespective of whether it is paid to *the last* or to the previous capitalists, the co-functionaries in the production of the commodity) and then put that part which resolves into wages on the other, and the amount of profit would still be equal to the surplus over the total amount of wages, and it could be asserted that the Ricardian "inverse ratio" applied directly to the rate of profit. It is not true, however, that the whole of the capital advanced can be resolved into profit and wages.> But the capital advanced does not resolve itself into wages alone, but also into profits advanced. Profit therefore is a surplus not only over and above the wages advanced, but also over the profits advanced. The *rate of profit* is therefore determined not only by the surplus over wages, but by the last capitalist's surplus over the total sum of wages plus profits, the sum of which, according to this assumption, constitutes the whole of the capital advanced. Hence this rate can obviously be altered not only as a result of a rise or fall in

wages, but also as a result of a rise or fall in profit. And if we disregarded the changes in the rate of profit arising from the rise or fall in wages, that is, if we assumed—as is done innumerable times in practice—that the value of the wages, in other words, the costs of their production, the labour-time embodied in them, remained the same, remained unchanged, then, following the path outlined by Mr. Mill, we would arrive at the pretty law that the rise or fall in the rate of profit depends on the rise or fall of profit.

> "...if any portion of the profits which the last producer has to make good to previous producers can be economised, the cost of production of the article is diminished" [loc. cit., p. 102].

This is in fact very true. If we assume that no portion of the previous producers' profit was a mere surcharge—"profit upon alienation" as James Stuart says, then every economy in one "portion of profit" (so long as it is not achieved by the latter producer swindling the previous one, that is, by not paying him for the whole of the value contained in his commodity) is an economy in the quantity of labour required for the production of the commodity. (Here we disregard the profit paid, for instance, for that time during the period of production, etc., when the capital lies idle.) For example, if two days were required to bring raw materials—coal, for instance—from the pit to the factory, and now only one day is required, then there is an economy of one day's work, but this applies as much to that part of it which resolves into wages as to that which resolves into profit.

After Mr. Mill has made it clear to himself that the rate of *surplus* of the last capitalist, or the rate of profit in general, depends not only on the direct ratio of wages to profits, but on the ratio of the last profit, or the profit on every particular capital, to the whole value of the capital advanced, which is equal to the variable capital (that laid

out in wages) plus the constant capital—that, in other words, ||322| the rate of profit is determined not only by the ratio of profit to the part of capital laid out in wages, that is, not only by the cost of production or the value of wages, he continues:

> "It is, therefore [...] true, that the rate of profits varies inversely as the cost of production of wages" [loc. cit., p. 103].

Although it is false, it is nevertheless true.

The illustration which he now gives can serve as a classical example of the way in which economists use illustrations, and it is all the more astonishing since its author has also written a book about the science of logic.

> "Suppose, for example, that 60 agricultural labourers, receiving 60 quarters of corn for their wages, consume fixed capital and seed amounting to the value of 60 quarters more, and that the result of their operations is a produce of 180 quarters. When we analyse the price of the seed and tools into its elements, we find that they must have been the produce of the labour of 40 men: for the wages of those 40, together with profit at the rate previously supposed (50 per cent) make up 60 quarters. *The produce, therefore, consisting of 180 quarters, is the result of the labour altogether of 100 men.*"

Now[qq] supposing that the amount of labour required remained the same, but as a *result of some discovery no fixed capital and seed were needed.* Whereas previously the outlay of 120 quarters was required to obtain a product of 180 quarters, now an outlay of only 100 quarters is necessary to achieve this result.

> "The produce (180 quarters) is still the result of the same quantity of 1abour as before [...], the labour of 100 men. A quarter of corn, therefore, is still, as before, the produce of $^{10}/_{18}$ of a man's labour, [...] *A[rr] quarter of*

> *corn*, which is the remuneration of a single labourer, is indeed the *produce of the same quantity of labour as before;* but its cost of production is nevertheless diminished. It is now the produce of $^{10}/_{18}$ of a man's labour, and nothing else; whereas formerly it required for its production the conjunction of that quantity of labour with[ss] an expenditure, in the form of reimbursement of profit, amounting to one-fifth more. If the cost of production of wages had remained the same as before, profits could not have risen. Each labourer received one quarter of corn; but one quarter of corn at that time was the result of the same cost of production, as $1\,^{1}/_{5}$ quarter now. In order, therefore, that each labourer should receive the same cost of production, each must now receive one quarter of corn, plus one-fifth" (op. cit., pp.99-103 passim).
>
> "Assuming, therefore, that the labourer is paid in the very article he produces, it is evident that, when any saving of expense takes place in the production of that article, if the labourer still receives the same cost of production as before, he must receive an increased quantity, in the very same ratio in which the productive power of capital has been increased. But, if so, the outlay of the capitalist will bear exactly the same proportion to the return as it did before; and profits will not rise. The variations, therefore, in the rate of profits, and those in the cost of production of wages, go hand in hand, and are inseparable. Mr. Ricardo's principle [...] is strictly true,[tt] if by low wages be meant not merely wages which are the produce of a smaller quantity of labour, but wages which are produced at less cost, reckoning labour and previous profits together" (loc. cit., p.104).

With regard to this wonderful illustration, we note first of all that, as a result of a discovery, corn is supposed to be produced without seeds (raw materials) and without fixed capital; that is, without raw materials and without tools, by means of mere manual labour, out of air, water and earth. This ||323| absurd presupposition contains nothing but the assumption that a product can be

produced without constant capital, that is, simply by means of newly applied labour. In this case, what he set out to prove has of course been proved, namely, that profit and surplus-value are identical, and consequently that the rate of profit depends solely on the ratio of surplus labour to necessary labour. The difficulty arose precisely from the fact that the rate of surplus-value and the rate of profit are two different things because there exists a ratio of surplus-value to the constant part of capital—and this ratio we call the rate of profit. Thus if we assume constant capital to be zero, we solve the difficulty arising from the existence of constant capital by abstracting from the existence of this constant capital. Or we solve the difficulty by assuming that it does not exist. *Pro batum est*.[uu]

Let us now arrange the problem, or Mill's illustration of the problem, correctly.

According to the first assumption we have:

Constant capital (fixed capital and seed)	Variable capital (capital laid out in wages)	Total product	Profit
60 quarters	60 quarters (60 workmen)	180 quarters	60 quarters

It is assumed in this example that the labour which is added to the constant capital amounts to 120 quarters and that, since every quarter represents the wages of a working-day (or of a year's labour, which is merely a working-day of 365 working-days), the 180 quarters contain only 60 working-days, 30 of which account for the wages of the workers and 30 constitute profit. We thus assume in fact that one working-day is embodied in 2 quarters and that consequently the 60 working-days of the 60 workmen are embodied in 120 quarters, 60 of which constitute their wages and 60 constitute the profit. In other words, the worker works one half of the

working-day for himself, to make up his wages, and one half for the capitalist, thus producing the capitalist's surplus-value. The rate of surplus-value is therefore 100 per cent and not 50 per cent. On the other hand, since the variable capital constitutes only half of the total capital advanced, the rate of profit is not 60 quarters to 60 quarters, that is, not 100 per cent, but 60 quarters to 120 quarters and therefore only 50 per cent. If the constant part of the capital had equalled zero, then the whole of the capital advanced would have consisted of only 60 quarters, i.e., only of the capital advanced in wages, equalling 30 working-days; in this case, profit and surplus-value, and therefore also their rates, would be identical. Profit would then amount to 100 per cent and not 50 per cent; 2 quarters of corn would be the product of one working-day, and 120 quarters the product of 60 working-days, even though one quarter of corn would only be the wages of one working-day and 60 quarters the wages of 60 working-days. In other words, the worker would only receive half, 50 per cent, of his product, while the capitalist would receive twice as much—100% calculated on his outlay.

What is the position with regard to the constant capital, the 60 quarters? These were likewise the product of 30 working days, and if it is assumed with regard to this constant capital that the elements which went into its production are so made up that one-third consists of constant capital and two-thirds of newly added labour, and that the [rate of] surplus-value and the rate of profit are also the same as before, we get the following calculation:

Constant capital	Variable capital	Total product	Profit
20 quarters	20 quarters (wages for 20 workers)	60 quarters	20 quarters

Here again the rate of profit would be 50 per cent and the rate of surplus-value 100 per cent. The total product would be ||324| the product of 30 working-days, 10 of which however (equalling 20 quarters) would represent the pre-existing labour (the constant capital) and 20 working-days the newly added labour of 20 workers, each of whom would only receive half his product as wages. Two quarters would be the product of one man's labour as in the previous case, although, again as previously, one quarter would represent the wages of one man's labour and one quarter the capitalist's profit, the capitalist thus appropriating half of the man's labour.

The 60 quarters which the last capitalist producer makes as surplus-value mean a rate of profit of 50 per cent, because these 60 quarters of surplus-value are calculated not only on the 60 quarters advanced in wages but also on the 60 quarters expended in seed and fixed capital, which together amount to 120 quarters .

If Mill calculates that the capitalist who produces the seed and the fixed capital—a total of 60 quarters—makes a profit of 50 per cent, if he assumes further that the constant and variable capital enter into the product in the same proportion as in the case of the production of the 180 quarters, then it will be correct to say that the profit equals 20 quarters, wages 20 quarters and the constant capital 20 quarters. Since wages equal one quarter [a day], then 60 quarters contain 30 working-days in the same way as 120 quarters contain 60 working-days.

But what does Mill say?

> "When we analyse the price of the seed and tools into its elements, we find that they must have been the produce of the labour of 40 men: for the wages of those 40, together with profit at the rate previously supposed (50 per cent) make up 60 quarters" [op. cit., p. 99].

In the case of the first capitalist, who employed 60 workers, each of whom he paid one quarter per day as wages (so that he paid out 60 quarters in wages), and laid out 60 quarters in constant capital, the 60 working-days resulted in 120 quarters, of which, however, the workers only received 60 in wages; in other words, wages amounted to only half the product of the labour of 60 men. Thus the 60 quarters of constant capital were only equal to the product of the labour of 30 men; if they consisted only of profit and wages, then wages would amount to 30 quarters and profit to 30 quarters, thus wages would equal the labour of 15 men and profit as well. But the profit amounted to only 50 per cent, since it is assumed that of the 30 days embodied in the 60 quarters, 10 represent pre-existing labour (constant capital) and only 10 are allocated to wages. Thus, 10 days are embodied in constant capital, 20 are newly added working-days, of which, however, the workers only work 10 for themselves, the other 10 being for the capitalist. But Mr. Mill asserts that these 60 quarters are the product of 40 men, while just previously he said that 120 quarters were the product of 60 men. In the latter case, one quarter contains half a working-day (although it is the wages paid for a whole working-day); in the former, $^3/_4$ of a quarter would equal half a working-day, whereas the one-third of the product (i.e., the 60 quarters) which is laid out in constant capital has just as much value, that is, it contains just as much labour-time, as any other third part of the product. If Mr. Mill desired to convert the constant capital of 60 quarters wholly into wages and profit, then this would not make the *slightest* difference as far as the quantity of labour-time embodied in it is concerned. It would still be 30 working-days as before, but now, since there would be no constant capital to replace, profit and surplus-value would coincide. Thus, profit would amount to 100 per cent, not to 50 per cent as previously. Surplus-value also amounted to 100 per cent in the previous case, but the

profit was only 50 per cent precisely because constant capital entered into the calculation.

We have here, therefore, a doubly false manoeuvre on the part of Mr. Mill.

In the case of the first 180 quarters, the difficulty consisted in the fact that surplus-value and profit did not coincide, because the 60 quarters surplus-value had to be calculated not only on 60 quarters (that part of the total product which represented wages) but ||325| on 120 quarters, i.e., 60 quarters constant capital plus 60 quarters wages. Surplus-value therefore amounted to 100 per cent, and profit only to 50 per cent. With regard to the 60 quarters which constituted constant capital, Mr. Mill disposes of this difficulty by assuming that, in this case, the whole product is divided between capitalist and worker, i.e., that no constant capital is required to produce the constant capital, that is, the 60 quarters consisting of seed and tools. The circumstance which had to be explained in the case of capital I, *is assumed* to have disappeared in the case of capital II, and in this way the problem ceases to exist.

But secondly, after he has assumed that the value of the 60 quarters which constitute the constant capital of capital I contains only [immediate] labour, but no pre-existing labour, no constant capital, that profit and surplus-value therefore coincide, and consequently also the rate of profit and the rate of surplus-value, that no difference exists between them, he then assumes, on the contrary, that just as in the case of capital I, a difference between them does exist, and that therefore the profit is only 50 per cent as in the case of capital I. If a third of the product of capital I had not consisted of constant capital, then profit would have been the same as surplus-value; the whole product consisted of only 120 quarters, equal to 60 working-days, 30 of which (equal to 60 quarters) are appropriated by the workers and 30 (equal to 60

quarters) by the capitalist. The rate of profit was the same as the rate of surplus-value, that is, 100 per cent. It was 50 per cent because the 60 quarters of surplus-value were not calculated on 60 quarters (wages) but on 120 quarters (wages, seed and fixed capital). In the case of capital II, he assumes that it contains no constant capital. He also assumes that wages remain the same in both cases—a quarter [of corn]. But he nevertheless assumes that profit and surplus-value are different, that profit amounts only to 50 per cent, although surplus-value amounts to 100 per cent. In actual fact he assumes that the 60 quarters, one-third of the total product, contain more labour-time than another third of the total product; he assumes that these 60 quarters are the product of 40 working-days while the other 120 quarters were the product of only 60.

In actual fact, however, there peeps out the old delusion of profit upon alienation, which has nothing whatever to do with the labour-time contained in the product and likewise nothing to do with the Ricardian definition of value. For he [Mill] assumes that the wages a man receives for working for a day are equal to what he produces in a working-day, i.e., that they contain as much labour-time as he works. If 40 quarters are paid out in wages, and if the profit amounts to 20 quarters, then the 40 quarters embody 40 working-days. The payment for the 40 working-days is equal to the product of the 40 working-days. If 50 per cent profit, or 20 quarters, is made on 60 quarters, it follows that 40 quarters are the product of the labour of 40 men, for, according to the assumption, 40 quarters constitute wages and each man receives one quarter per day. But in that case where do the other 20 quarters come from? The 40 men work 40 working-days because they receive 40 quarters. A quarter is therefore the product of one working-day. The product of 40 working-days is consequently 40 quarters, and not a bushel more. Where, then, do the 20 quarters which make up the profit come from? The old delusion of

profit upon alienation, of a merely nominal price increase on the product over and above its value, is behind all this. But here it is quite absurd and impossible, because the value is not represented in money but in a part of the product itself. Nothing is easier than to imagine that—if 40 quarters of grain are the product of 40 workers,- each one of whom receives one quarter per day or per year, they therefore receive the whole of their product as wages, and if one quarter of grain in terms of money is £3, 40 quarters are therefore £120—the capitalist sells these 40 quarters for £180 and makes £60, i.e., 50 per cent profit, equal to 20 quarters. But this notion is reduced to absurdity if out of 40 quarters—which have been produced in 40 working-days and for which he pays 40 quarters—the capitalist sells 60 quarters. He has in his possession only 40 quarters, but he sells 60 quarters, 20 quarters more than he has to sell.

||326| Thus first of all Mill proves the Ricardian law, that is, the false Ricardian law, which confuses surplus-value and profit, by means of the following convenient assumptions:

1) he assumes that the capitalist who produces constant capital does not himself in his turn need constant capital, and thus he assumes out of existence the whole difficulty which is posed by constant capital;

2) he assumes that, although the capitalist does not [need] constant capital, the difference between surplus-value and profit caused by constant capital nevertheless continues to exist although no constant capital exists;

3) he assumes that a capitalist who produces 40 quarters of wheat can sell 60 quarters, because his total product is sold as constant capital to another capitalist, whose constant capital equals 60 quarters, and because capitalist No. II makes a profit of 50 per cent on these 60 quarters.

This latter absurdity resolves itself into the notion of profit upon alienation, which appears here so absurd only because the profit is supposed to stem not from the nominal value expressed in money, but from a part of the product which has been sold. Thus, Mr. Mill, in seeking to defend Ricardo, has abandoned his basic concepts and fallen far behind Ricardo, Adam Smith and the Physiocrats.

His first defence of Ricardo's teachings therefore consists in his abandoning them from the outset, namely, abandoning the basic principle that profit is only a part of the value of the commodity, i.e., merely that part of the labour-time embodied in the commodity which the capitalist sells in his product although he has *not paid* the worker for it. Mill makes the capitalist pay the worker for the whole of his working-day and still derive a profit.

Let us see how he proceeds.

He does away with the need for seed and agricultural implements in the production of corn by means of an invention, that is, he does away with the need for constant capital in the case of the last capitalist in the same way as he abandoned seed and fixed capital in the case of the producer of the first 60 quarters. Now he ought to have argued as follows:

Capitalist No. I does not now need to lay out 60 quarters in seed and fixed capital, for we have stated that his constant capital equals zero. He therefore has to lay out only 60 quarters for the wages of 60 workers who work 60 working-days. The product of these 60 working-days amounts to 120 quarters. The workers receive only 60 quarters. The capitalist therefore makes 60 quarters profit, i.e., 100 per cent. His rate of profit is exactly equal to the rate of surplus-value, that is, it is exactly equal [to the ratio] of the labour-time the workers [worked for themselves to the labour-time they] worked not for

themselves, but for the capitalist. They worked 60 days. They produced 120 quarters, they received 60 quarters in wages. They thus received the product of 30 working-days as wages, although they worked 60 days. The quantity of labour-time which 2 quarters cost is still equal to one working-day. The working-day for which the capitalist *pays* is still equal to one quarter, i.e., it is equal to half the working-day worked. The product has fallen by a third, from 180 quarters to 120 quarters, but the profit has nevertheless risen by 50 per cent, namely, from 50 per cent to 100 per cent. Why? Of the total of 180 quarters, a third merely replaced constant capital, it did not therefore constitute a part of either profit or wages. On the other hand, the 60 quarters, or the 30 working-days during which the workers produced or worked for the capitalist, were *calculated* not on the 60 quarters spent on wages, that is, the 30 days during which they worked for themselves, but on the 120 quarters, i.e., the 60 working-days, which were expended on wages, seed and fixed capital. Thus, although out of the total of 60 days they worked 30 days for themselves and 30 for the capitalist, and although a capital outlay of 60 quarters on wages yielded 120 quarters to the capitalist, his rate of profit was not 100 per cent, but only 50 per cent, because it was calculated *differently*, in the one case on 2×60 and in the other on 60. The surplus-value ||327| was the same, but the rate of profit was different.

But how does Mill tackle the problem?

He does not assume that the capitalist [who, as a result of an invention, spends nothing on constant capital] with an outlay of 60 quarters obtains 120 quarters (30 out of 60 working-days), but that he now employs 100 men who produce 180 quarters for him, always on the supposition that the wage for one working-day is one quarter of wheat. The calculation is therefore as follows:

Capital expended (only variable, only on wages)	Total product	Profit
100 quarters (wages for 100 working-days)	180 quarters	80 quarters

This means that the capitalist makes a profit of 80 per cent. Profit is here equal to surplus-value. Therefore the rate of surplus-value is likewise only 80 per cent. Previously it was 100 per cent, i.e., 20 per cent higher. Thus we have the phenomenon that the rate of profit has risen by 30 per cent while the rate of surplus-value has fallen by 20 per cent.

If the capitalist had only expended 60 quarters on wages as he did previously, we would have the following calculation:

100	quarters	yield	80	quarters	surplus-value
10	"	"	8	"	"
60	"	"	48	"	"

But 60 quarters previously yielded 60 quarters [of surplus-value] (that means it has fallen by 20 per cent). Or to put it another way, previously:

[Capital expended]	Total product	Profit
60 quarters	120 quarters	60 quarters
100 "	200 "	100 "
100 "	200 "	100 "

Thus the surplus-value has fallen by 20 per cent, from 100 to 80 (we must take 100 as the basis of the calculation in both [cases]).

(60:48=100:80; 60:48=10:8; 60:48=5:4; 4×60=240 and 48 × 5 =240.)

Further, let us consider the labour-time or the value of a quarter. Previously, 2 quarters were equal to one working-day, or one quarter was equal to half a working-

day or $^{9}/_{18}$ of a man's labour. As against this, 180 quarters are now the product of 100 working-days, one quarter is therefore the product of $^{100}/_{180}$ or $^{10}/_{18}$ of a working-day. That is, the product has become dearer by $^{1}/_{18}$ of a working-day, or the labour has become less productive, since previously a man required $^{9}/_{18}$ of a working-day to produce a quarter, whereas now he requires $^{10}/_{18}$ of a working-day. The rate of profit has risen although the surplus-value has fallen and, consequently, the productivity of labour has fallen or the real value, the cost of production, of wages has risen by $^{1}/_{18}$ or by $5\,^{5}/_{9}$ per cent. 180 quarters were previously the product of 90 working-days (1 quarter, $^{90}/_{180}$, equals half a working-day or $^{9}/_{18}$ of a working-day). Now they are the product of 100 working-days (1 quarter = $^{100}/_{180}$=$^{10}/_{18}$ of a working-day).

Let us assume that the working-day lasts 12 hours, i.e., 60×12 or 720 minutes. ||328| One-eighteenth part of a working-day, that is, $^{720}/_{18}$ therefore amounts to 40 minutes. In the first case, the worker gives the capitalist $^{9}/_{18}$ or half of these 720 minutes, that is, 360 minutes. 60 workers will therefore give him 360×60 minutes. In the second case, the worker gives the capitalist only $^{8}/_{18}$, that is, 320 minutes out of the 720. But the first capitalist employs 60 men and therefore obtains 360×60 minutes. The second employs 100 men and therefore obtains 100×320, 32,000 minutes. The first gets 360 × 60, 21,600 minutes. Thus the second capitalist makes a larger profit than the first because 100 workers at 320 minutes a day amounts to more than 60 [workers] at 360 minutes. His profit is bigger only because he employs 40 more men, but he obtains relatively less from each worker. He has a higher profit, although the rate of surplus-value has declined, that is, the productivity of labour has declined, the production costs of real wages have therefore risen, in other words, the quantity of labour embodied in them has risen. *But Mr. Mill wanted to prove the exact opposite.*

Assuming that Capitalist No. I, who has not "discovered" how to produce corn without seed or fixed capital, likewise uses 100 working-days (like capitalist No. II), whereas he only uses 90 days in the above calculation. He must therefore use 10 more working-days, $3\,{}^{1}/_{3}$ of which are accounted for by his constant capital (seed and fixed capital) and $3\,{}^{1}/_{3}$ by wages. The product of these 10 working-days on the basis of the old level of production would be 20 quarters, $6\,{}^{2}/_{3}$ quarters of which, however, would replace constant capital,[vv] while $12\,{}^{4}/_{3}$ quarters would be the product of $6\,{}^{2}/_{3}$ working-days. Of this, wages would take $6\,{}^{2}/_{3}$ quarters and surplus-value $6\,{}^{2}/_{3}$ quarters.

We would thus arrive at the following calculation:

Constant capital	Wages	Total product	Surplus-value	Rate of Surplus-value
$66\,{}^{2}/_{3}$ quarters	$66\,{}^{2}/_{3}$ quarters	200 quarters	$66\,{}^{2}/_{3}$ quarters	100 per cent
($33\,{}^{1}/_{3}$ working-days)	(Wages for $66\,{}^{2}/_{3}$ working-days)	(100 working-days)	($33\,{}^{1}/_{3}$ working-days)	

He makes a profit of $33\,{}^{1}/_{3}$ working-days on the total product of 100 working-days. Or $66\,{}^{2}/_{3}$ quarters on 200 quarters. Or, if We calculate the capital he lays out in quarters, he makes a profit of $66\,{}^{2}/_{3}$ quarters on $133\,{}^{1}/_{3}$ quarters (the product of $66\,{}^{2}/_{3}$ working-days), whereas capitalist No. II makes a profit of 80 quarters on an outlay of 100 quarters. Thus, the profit of the second capitalist is greater than that of the first. Since the first capitalist produces 200 quarters in the same labour-time that it takes the second to produce 180, for the first capitalist one quarter is equal to half a working-day and for the second capitalist one quarter is equal to ${}^{10}/_{18}$ or ${}^{5}/_{9}$ of a working-day, that is, it contains ${}^{1}/_{18}$ more labour-time and would consequently be dearer, and the first capitalist would drive the second out of

business. The latter would have to give up his discovery and accommodate himself to using seed and fixed capital in corn production, as before.

Let us assume that the profit of capitalist I amounted to 60 quarters on an outlay of 120 quarters, or to 50 per cent (the same as 66 $^{2}/_{3}$ quarters on 133 $^{1}/_{3}$ quarters).

The profit of capitalist II amounted to 80 quarters on 100 quarters, or to 80 per cent.

The profit of the second capitalist compared to that of the first is 80:50, or 8:5, or 1 : $^{5}/_{8}$.

As against this, the surplus-value of the second capitalist compared to that of the first is: 80 : 100, or 8 : 10, or 1 : $^{10}/_{8}$, or 1 : 1 $^{2}/_{8}$, or 1 $^{1}/_{4}$.

The rate of profit of the second capitalist is 30 per cent higher than that of the first.

The surplus-value of the second capitalist is 20 per cent smaller than that of the first.

The second capitalist employs 66 $^{2}/_{3}$ per cent more workers, while the first one appropriates only $^{1}/_{8}$, or 12 $^{1}/_{2}$ per cent, more labour in a single day.

||329| Mr. Mill has therefore proved that capitalist No. I—who uses a total of 90 days, $^{1}/_{3}$ of which [is embodied] in constant capital (seed, machinery, etc.), and employs 60 workers whom, however, he pays only [the product of] 30 days—produces one quarter of corn in half a clay or in $^{9}/_{18}$ of a day; so that in 90 working-days he produces 180 quarters, 60 quarters of which represent the 30 working-days contained in the constant capital, 60 quarters the wages for 60 working-days or the product of 30 working-days, and 60 quarters the surplus-value (or the product of 30 working-days). The [rate of] surplus-value of this capitalist is 100 per cent, his [rate of] profit

is 50 per cent, for the 60 quarters of surplus-value are not calculated on the 60 quarters of the capital laid out in wages, but on 120 quarters, i.e., both parts of capital (that is, variable capital plus constant capital).

He has proved further that capitalist No. II, who uses 100 working-days and lays out nothing in constant capital (by virtue of his discovery), produces 180 quarters, one quarter is therefore equal to $^{10}/_{18}$ of a day, i.e., it is $^{1}/_{18}$ of a day (40 minutes) dearer than that of No. I. His labour is $^{1}/_{18}$ less productive. Since the worker receives a daily wage of one quarter, as he did previously, his wages have risen by $^{1}/_{18}$ in real value, that is, in the labour-time required for their production. Although the production cost of wages has now risen by $^{1}/_{18}$ and the total product is smaller in relation to labour-time, and the surplus-value produced by him amounts only to 80 per cent, whereas that of No. I was 100 per cent, his rate of profit is 80 per cent, while that of the first was 50. Why? Because, although the cost of wages has risen for capitalist No. II, he employs more labour, and because the rate of surplus-value is equal to the rate of profit in the case of No. II, since his surplus-value is calculated only on the capital laid out in wages, the constant capital amounting to zero. But Mill wanted on the contrary to prove that the rise in the rate of profit was due to a *reduction in the production cost of wages* according to the Ricardian law. We have seen that this rise took place *despite the increase in the production cost of wages*, that, consequently, the Ricardian law is false if profit and surplus-value are *directly* identified with one another, and the rate of profit is understood as the ratio of surplus-value or gross profit (which is equal to the surplus-value) to the total value of the capital advanced.

Mr. Mill continues:

> "A return of 180 quarters could not before be obtained but by an outlay of 120 quarters; it can

> now be obtained by an outlay of not more than 100…"[loc. cit., p. 100].

Mr. Mill forgets that in the first case, the outlay of 120 quarters represents an outlay of 60 working-days. And that in the second case, the outlay of 100 quarters represents an outlay of 55 $^{6}/_{9}$ working-days (that is, a quarter equals $^{9}/_{18}$ of a working-day in the first case and $^{10}/_{18}$ in the second).

> "The produce (180 quarters) is still the result of the [same] quantity of labour as before, [namely] the labour of 100 men" [loc. cit., p. 100].

(Pardon me! The 180 quarters were previously the result of 90 working-days. Now they are the result of 100.)

> "A quarter of corn, therefore, is still […] the produce of $^{10}/_{18}$ of a man's labour" [loc. cit., p. 100].

(Pardon me! It was previously the produce of $^{9}/_{18}$ of a man's labour.)

> "*A**[ww]** quarter of corn*, which is *the remuneration of a* single labour*, is indeed the produce of the same* […] *labour* as before …"[loc. cit., p. 102].

(Pardon me! Firstly, now a quarter of corn is "indeed the produce" of $^{10}/_{18}$ of a working-day, whereas previously it was the produce of $^{9}/_{18}$; it therefore costs $^{1}/_{18}$ of a day more labour; and secondly, whether the quarter costs $^{9}/_{18}$ or $^{10}/_{18}$ of his working-day, the *remuneration* of an individual worker should never be confused with the *product of his labour;* since it is always only a part of that product.)

> "It is now the produce of $^{10}/_{18}$ of a man's labour, and *nothing else*" (this is correct); "whereas formerly it required for its production the conjunction of that quantity of labour

> with[xx] an expenditure, in the form of reimbursement of profit, amounting to one-fifth more" [loc. cit., pp. 102-03].

Stop! First of all it is wrong, as has been ||330| emphasised repeatedly, to say that one quarter previously cost $^{10}/_{18}$ of the working-day. It only cost $^{9}/_{18}$. It would be even more wrong (if a gradation in absolute falsehood were possible) if there were added to these $^{9}/_{18}$ of a working-day "the conjunction [...] of reimbursement of profit, amounting to one-fifth more". In 90 working-days (taking constant and variable capital together) 180 quarters are produced. 180 quarters are equal to 90 working-days. One quarter equals $^{90}/_{180}$, which equals $^{9}/_{18}$, which equals one half of a working-day. Consequently, no "conjunction" whatsoever is added to these $^{9}/_{18}$ of a working-day, or to the half of a working-day which a quarter costs in case No. I.

We here discover the real delusion which is the centre around which the whole of this nonsense revolves. Mill first of all made a fool of himself by supposing that, if 120 quarters are the product of 60 days of labour, and this product is equally divided between the 60 labourers and the capitalist, the 60 quarters which represent the constant capital could be the product of 40 days of labour. They could only be the product of 30 days, in whatever proportion the capitalist and the labourers producing the 60 quarters might happen to share in them. But let us proceed. In order to make the delusion quite clear, let us assume that not one-third, i.e., 20 quarters of the 60 quarters of constant capital, would be converted into profit, but the whole amount of the 60 quarters. We can make this assumption all the more readily since it is not in our interest, but in Mill's, and simplifies the problem. Moreover it is easier to believe that the capitalist who produces 60 quarters of constant capital, *discovers* that 30 workers, who produce 60 quarters or an equivalent value in 30 days, can be made

to work for *nothing*, without being paid any wages at all (as happens in the case of statute labour), than to believe in the ability of Mill's capitalist to produce 180 quarters of corn without seed or fixed capital, simply by means of a "discovery". Let us therefore assume that the 60 quarters contain only the profit of capitalist II, the producer of constant capital for capitalist I, since capitalist II has the product of 30 working-days to sell without having paid a single farthing to the 30 workers, each of whom worked one day. Would it then be correct to say that these 60 quarters, which can be entirely resolved into profit, enter into the *production cost of wages* on the part of capitalist I, in "conjunction" with the labour-time worked by these workers?

Of course, the capitalist and the workers in case No. 1 could not produce 120 quarters or even one single quarter without the 60 quarters which constitute constant capital and which are resolvable into profit only. These are conditions of production necessary for them, and conditions of production, moreover, which have to be paid for. Thus the 60 quarters were necessary to produce 180. 60 of these 180 quarters replace the 60 quarters [constant capital]. Their 120 quarters—the product of 60 working-days—are not affected by this. If they had been able to produce the 120 quarters without the 60, then *their* product, the product of the 60 working-days, would have been the same, but the total product would have been smaller, precisely because the 60 pre-existing quarters would not have been reproduced. The capitalist's rate of profit would have been greater because his production costs would not have included the expenditure on, or the cost of, the means of production which enable him to make a surplus-value of 60 quarters. The absolute amount of profit would have been the same—60 quarters. These 60 quarters, however, would have required an outlay of only 60 quarters. Now they require an outlay of 120. This outlay on constant

capital therefore enters into the production costs of the capitalist, but not into the production costs of wages.

Let us assume that capitalist III, also without paying his workers, can produce 60 quarters in 15 working-days [instead of 30] by means of some "discovery", partly because he uses better machines, and so on. This capitalist III would drive capitalist II out of the market and secure the custom of capitalist I. The capitalist's outlay would now have fallen ||331| from 60 to 45 working-days. The workers would still require 60 working-days to transform the 60 quarters into 180. And they would need 30 working-days in order to produce their wages. For them one quarter would be equal to half a working-day. But the 180 quarters would only cost the capitalist an outlay of 45 working-days instead of 60. Since however it would be absurd to suggest that corn under the name of seed costs less labour-time than it does under the name of corn pure and simple, we would have to assume that in the case of the first 60 quarters, seed corn costs just as much as it did previously, but that less seed is necessary, or that the fixed capital which forms part of the value of the 60 quarters has become cheaper.

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Let us write down the results so far obtained from the analysis of Mill's "illustration".

First, it has emerged that:

Supposing that the 120 quarters were produced without any constant capital and were the product of 60 working-days as they were previously, whereas formerly, the 180 quarters, 60 quarters of which were constant capital, were the product of 90 working-days. In this case, the capital of 60 quarters laid out in wages, equal to 30 working-days but commanding 60 working-days, would produce the same product as formerly, namely, 120 quarters. The

value of the product would likewise remain unchanged, that is, one quarter would be equal to half a working-day. Previously the product was equal to 180 instead of 120 as at present; but the 60 additional quarters represented only the labour-time embodied in the constant capital. The cost of production of wages has thus remained unchanged, and the wages themselves—in terms of both use-value and exchange-value—have also remained unchanged—one quarter being equal to half a working-day. Surplus-value would similarly remain unchanged, namely, 60 quarters for 60 quarters, or half a working-day for half a working-day. The rate of surplus-value in both cases was 100 per cent. Nevertheless the rate of profit was only 50 per cent in the first case, while it is now 100 per cent. Simply because 60 : 60=100 per cent, while 60 : 120=50 per cent. The increase in the rate of profit, in this case, is not [due] to any change in the production cost of wages, but merely to the fact that constant capital has been assumed to be zero. The position is similar when the value of constant capital diminishes, and with it the value of the capital advanced; that is, the proportion of surplus-value to capital increases, and this proportion *is* the rate of profit.

To obtain the rate of profit surplus-value is not only calculated on that part of capital which really increases and creates surplus-value, namely, the part laid out in wages, but also on the value of the raw materials and machinery whose value only reappears in the product. It is calculated moreover on the value of the whole of the machinery, not only on the part which really enters into the process of creating value, i.e., the part whose wear and tear has to be replaced, but also on that part which enters only into the labour process.

Secondly, in the second example it was assumed that capital I yields 180 quarters, equal to 90 working-days, so that 60 quarters (30 working-days) represent constant capital; 60 quarters are variable capital (representing 60

working-days, for 30 of which the workers are paid); thus wages amount to 60 quarters (30 working-days) and surplus-value to 60 quarters (30 working-days on the other hand, the product of capital II represents 100 working-days although it likewise comes to 180 quarters, 100 quarters of which are wages, and 80 surplus-value. In this case, the whole of the capital advanced is laid out in wages. Here constant capital is at zero; the real value of wages has risen although the use-value the workers receive has remained the same—one quarter; but a quarter is now equal to $^{10}/_{18}$ of a working-day whereas previously it was only worth $^{9}/_{18}$. The [rate of] surplus-value has declined from 100 per cent to 80 per cent, that is, by $^{1}/_{5}$ or by 20 per cent. The rate of profit has increased from 50 per cent to 80 per cent, that is, by $^{3}/_{5}$ or by

60 per cent. In this case, therefore, the real production cost of wages has not simply remained unchanged, but has risen. Labour has become less productive and consequently the surplus labour has diminished. And yet the rate of profit has risen. Why? First of all, because in this case there is no constant capital and the rate of profit is consequently equal to the rate of surplus-value. In all cases where capital is not exclusively laid out on wages—an almost impossible contingency in capitalist production—the rate of profit must be smaller than the rate of surplus-value and it must be smaller in the same proportion as the total value of the capital advanced is greater than the value of the part of the capital laid out in wages. Secondly, [the rate of profit has risen because] capitalist II employs a considerably greater number of workers than capitalist I, thus more than counterbalancing the difference in the productivity of the labour they respectively employ.

Thirdly, from one point of view, the cases outlined under the headings "*firstly*" and "*secondly*" are a conclusive proof that variations in the rate of profit can take place quite independently of the cost of production

of wages. For under the heading "*firstly*" it was demonstrated that the rate of profit can rise although the cost of production of labour remains the same. Under "*secondly*" it was demonstrated that the rate of profit for capital II compared with that for capital I rises although the productivity of labour declines, in other words, although the production cost of wages rises. This case therefore proves ||VIII-332| that if, on the other hand, we compare capital I with capital II, the rate of profit falls although the rate of surplus-value rises, the productivity of labour increases and consequently the production costs of wages fall. They amount to only $^{9}/_{18}$ of a working-day [per quarter] for capital I, whereas for capital II they amount to $^{10}/_{18}$ of a working-day; but despite this, the rate of profit is 60 per cent higher in the case of capital II than in the case of capital I. *In all these cases, not only are variations in the rates of profit not determined by variations in the production costs of wages, but they take place in the same proportions.* Here it must be noted that it does not follow from this that the movement of one is the *cause* of movement of the other (for example, that the rate of profit does not fall because the production costs of wages fall, or that it does not rise because the production costs of wages rise), but only that different circumstances paralyse the opposite movements. Nevertheless, the Ricardian law that variations in the rate of profit take place in the opposite direction to variations in wages, that one rises because the other falls, and vice versa, is false. This law applies only to the *rate of surplus-value*. At the same time, there exists however a necessary connection (although not always) in the fact that the rate of profit and the value of wages rise and fall not in the opposite but in the same direction. More manual labour is employed where the labour is less productive. More constant capital is applied where the labour is more productive. Thus in this context the same circumstances which bring about an increase or a decline in the rate of surplus-value, must as a consequence bring about a

decline or an increase in the rate of profit [i.e., a movement] in the opposite direction.

[b) Apparent Variation in the Rate of Profit Where the Production of Constant Capital Is Combined with Its Working Up by a single Capitalist]

But we shall now outline the case as Mill himself conceived it, although he did not formulate it correctly. This will at the same time clarify the real meaning of his talk about the profits advanced by the capitalist.

Despite any kind of "discovery" and any possible "conjunction", the example cannot be left in the form in which Mill puts it forward, because it contains absolute contradictions and absurdities and the various presuppositions he makes cancel one another out.

Of the 180 quarters, 60 quarters (seed and fixed capital) are supposed to consist of 20 quarters for profit and 40 quarters [wages] for 40 working-days, so that if the 20 quarters profit are omitted, the 40 working-days still remain. According to this presupposition, the workers therefore receive the whole product for their labour, and consequently it is absolutely impossible to see where the 20 quarters profit and their value come from. If it is assumed that they are merely nominal additions to the price, if they do not constitute labour-time appropriated by the capitalist, their omission would be just as profitable as if 20 quarters wages for workers who had not done any work were included in the 60 quarters. Furthermore, the 60 quarters here simply express the value of the constant capital. They are however supposed to be the product of 40 working-days. On the other hand, it is assumed that the remaining 120 quarters are the product of 60 working-days. But

here working-days must be understood as equal average labour. The assumption is therefore absurd.

Thus one must assume, firstly, that in the 180 quarters only 90 working-days are embodied and in the 60 quarters, that is, the value of the constant capital, only 30 working-days. The assumption that the profit—amounting to 20 quarters or to 10 working-days—can be omitted, is once again absurd. For it must then be assumed that the 30 workers employed in the production of constant capital, although not working for a capitalist, are nevertheless so obliging that they are content to pay themselves wages which only amount to half their labour-time, and not to reckon the other half in their commodity. In a word, that that they sell their working-day 50 per cent below its value.

Hence this assumption too is absurd.

But let us assume that capitalist I, instead of buying his constant capital from capitalist II and then working it up, combines both the production and the working up of constant capital in his own undertaking. He thus supplies seed, agricultural implements, etc., to himself. Let us likewise ignore the discovery which makes seed and fixed capital unnecessary. Supposing that he expends 20 quarters (equal to 10 working-days) on constant capital (for the production of his constant capital) and 10 quarters on wages for 10 working-days, of which the workers work 5 days for nothing, the calculation would then be as follows:

Constant Capital	Variable capital for 80 workers	surplus-value	Total product
20 quarters	60+20=80 qrs. (wages for 80 working-days)	60+20=80 qrs.	180 qrs.

(10 working-days)	(=40 working-days)	(=40 working-days)	(=90 working-days)

The actual production costs of wages have remained the same, and consequently the productivity of labour too. The total product has remained the same, that is, 180 quarters, and the value of the 180 quarters has also remained unchanged. The rate of surplus-value has remained the same—80 quarters over 80 quarters. The total amount or quantity of surplus-value has risen from 60 quarters to 80 quarters, that is, by 20 quarters. The capital advanced has fallen from 120 to 100 quarters. Previously, 60 quarters were made on 120 quarters, or a rate of profit of 50 per cent. Now 80 quarters are made on 100 quarters, or a rate of profit of 80 per cent. The total value of the capital advanced has fallen from 120 quarters by 20 quarters and the rate of profit has risen from 50 per cent to 80 per cent. The profit itself, irrespective of its rate, now amounts to 80 quarters, whereas previously it was 60 quarters, that is, it has risen by 20 quarters, or as much as the amount (not the rate) of the surplus-value.

Thus there has been no change here, no variation in the production costs of real wages. The rise in the rate of profit is due:

Firstly, to the fact that although the rate of surplus-value has not risen, the total amount has increased from 60 quarters to 80 quarters, that is, by a third; and it has risen by a third, by 33 $^{1}/_{3}$ per cent, because the capitalist now employs 80 workers and not 60 as previously, that is, he exploits a third or 33 $^{1}/_{3}$ per cent more living labour; and obtains the same rate of surplus-value from the 80 workers he now employs as previously when he employed only 60 workers.

Secondly. While the absolute magnitude of surplus-value (that is, the total profit) has risen by 33 1/3 per cent, i.e., from 60 to 80 quarters, the rate of profit has risen from 50 per cent to 80 per cent, by 30, that is, by 3/5 (since 1/5 of 50 is 10, and 3/5 30), i.e., by 60 per cent. That is to say, the value of the capital laid out has fallen from 120 [quarters] to 100, although the value of the part of capital laid out in wages has risen from 60 to 80 quarters (from 30 to 40 working-days). This part of the capital has increased by 10 working-days (20 quarters). On the other hand, the constant portion of capital has decreased from 60 to 20 quarters (from 30 working-days to 10), that is, by 20 working-days. If we subtract the 10 working-days by which the part of capital laid out in wages has increased, then the total capital expended decreases by 10 working-days (20 quarters). Previously, it amounted to 120 quarters (60 working-days). Now it amounts to only 100 quarters (50 working-days). It has therefore decreased by a sixth, that is, by 16 2/3 per cent.

Incidentally, this whole variation in the rate of profit is only an illusion, only a transfer from one account book to another. Capitalist I has 80 quarters profit instead of 60 quarters, that is, an additional profit of 20 quarters. This, however, is the exact amount of profit that the producer of constant capital made previously and which he has now lost because capitalist I, instead of buying his constant capital, now produces it himself, that is, instead of ||334| paying capitalist II the surplus-value of 20 quarters (10 working-days) which the producer [of constant capital] obtained from the 20 workers employed by him, capitalist I now keeps it for himself.

80 quarters profit is made on 180 quarters as previously, the only difference being that previously it was divided between two people. The rate of profit appears to be bigger, because previously capitalist I regarded the 60 quarters as constant capital only, which

in fact they were for him; he therefore disregarded the profit accruing to the producer of constant capital. The rate of profit has not altered, any more than the surplus-value or any factor of production, including the productivity of labour. Previously, the capital laid out by the producer [of constant capital] amounted to 40 quarters (20 working-days); that [variable capital] laid out by *capitalist I* amounted to 60 quarters (30 working-days), making a total of 100 quarters (50 working-days), and the profit of the first capitalist came to 20 quarters, that of the other to 60, together 80 quarters (40 working-days). The whole product amounting to 90 working-days (180 quarters) yielded 80 quarters profit on 100 laid out in wages and constant capital. For society, the revenue deriving from the profit has remained the same as before, and so has the ratio of surplus-value to wages.

The difference arises from the fact that, when the capitalist enters the commodity market as a buyer, he is simply a commodity owner. He has to pay the full value of a commodity, the whole of the labour-time embodied in it, irrespective of the proportions in which the fruits of the labour-time were divided or are divided between the capitalist and the worker. If, on the other hand, he enters the labour market as a buyer, he buys in actual fact more labour than he pays for. If, therefore, he produces his raw materials and machinery himself instead of buying them, he himself appropriates the surplus labour he would otherwise have had to pay out to the seller of the raw materials and machinery.

It certainly makes a difference to the individual capitalist although not to the rate of profit, whether he himself derives a profit or pays it out to someone else. (In calculating the reduction in the rate of profit as a result of the growth of constant capital, the social average is always taken as the basis, that is, the aggregate amount of constant capital employed by society at a particular moment and the proportion of this amount to the amount

of capital laid out directly in wages.) But this point of view is seldom decisive and can seldom be decisive even for the individual capitalist with regard to such complex enterprises which do occur, for example, when the capitalist is at the same time engaged in spinning and weaving, making his own bricks, etc. What is decisive here is the real saving in production costs, through saving of time on transport, savings on buildings, on heating, on power, etc., greater control over the quality of the raw materials, etc. If he himself decided to manufacture the machines he required, he would then produce them on a small scale like a small producer who works to supply his own needs or the individual needs of a few customers, and the machines would cost him more than they would if he bought them from a machine manufacturer who produced them for the market. Or if he wished at the same time to spin and to weave and to make machines not only for himself, but also for the market, he would require a greater amount of capital, which he could probably invest to greater advantage (division of labour) in his own enterprise. This point of view can only apply when he provides for himself a market sufficient to enable him to produce his constant capital himself on an advantageous scale. His own demand must be large enough to achieve this. In this case, even if his work is less productive than that of the proper producers of constant capital, he appropriates a share of the surplus labour for which he would otherwise have to pay another capitalist.

It can be seen that this has nothing to do with the rate of profit. If—as in the example cited by Mill—90 working-days and 80 workers were involved previously, then nothing is saved from the production costs by the fact that the surplus labour of 40 days (or 80 quarters) contained in the product is now pocketed by one capitalist instead of by two, as was the case previously. The 20 quarters profit (10 working-days) simply disappears from one account book in order to appear again in another.

This saving on previous profit, if it does not coincide with a saving in labour-time and thus with a saving in wages, is therefore a pure delusion.

[c) On the Influence a Change in the value of Constant Capital Exerts on surplus-value, Profit and Wages]

||335| *Fourthly*, there remains the case in which the value of constant capital decreases as a result of the increased productivity of labour, and it remains for us to investigate whether or not, and to what extent, this case is related to the real production cost of wages or to the value of labour. The question is, therefore, to what extent a real change in the value of constant capital causes at the same time a variation in the ratio of profit to wages. The value of constant capital, its production costs, can remain constant, yet more or less of it can be embodied in the product. Even if its value is assumed to be constant, the constant capital will increase in the measure that the productivity of labour and production on a large scale develop. Variations in the *relative amount of constant capital employed while the production costs of the constant capital remain stable or* rise—variations which all affect the rate of profit—are excluded in advance from this investigation.

Furthermore, all branches of production whose products do not enter directly or indirectly into the consumption of the workers are likewise excluded. But variations in the real rate of profit (that is, the ratio of the surplus-value really produced in these branches of industry to the capital expended) in these branches of industry affect the general rate of profit, which arises as a result of the levelling of profits, just as much as variations in the rate of profit in branches of industry whose products enter directly or indirectly into the consumption of the workers.

The question moreover must be reduced to the following: How can a change in the value of constant capital retrospectively affect the surplus-value? For once surplus-value is assumed as given, the ratio of surplus to necessary labour is given, and therefore also the value of wages, i.e., their production cost. In these circumstances, no change in the value of constant capital can have any effect on the value of wages, any more than on the ratio of surplus labour to necessary labour, although it must always affect the rate of profit, the cost of production of the surplus-value for the capitalist, and in certain circumstances, namely, when the product enters into the consumption of the worker, it affects the quantity of use-values into which wages are resolved, although it does not affect the exchange-value of wages.

Let us assume that wages are given, and that, for example, in a cotton factory they come to 10 working hours and surplus-value to 2 working hours. The price of raw cotton falls by half as a result of a good harvest. The same quantity of cotton which previously cost the manufacturer £100, now costs him only £50. The same amount of cotton requires just the same amount of spinning and weaving as it did before. With an expenditure of £50 for cotton, the capitalist can now acquire as much surplus labour as he did previously with an expenditure of £100, or, should he continue to spend £100 on cotton, he will now receive, for the same amount of money as he spent before, a quantity of cotton from which he will be able to acquire twice the amount of surplus labour. In both cases, the rate of surplus-value, that is, the ratio of surplus-value to wages, will be the same, but in the second case the amount of surplus-value will rise, since twice as much labour will be employed at the same rate of surplus labour. The rate of profit will rise in both cases, although there has been no change in the production cost of wages. It will rise because, to obtain the rate of profit, the surplus-value is calculated on

the *production costs* of the capitalist, that is, on the *total value* of the capital he expends, and this has fallen. He now needs a smaller outlay in order to produce the same amount of surplus-value. In the second case, not only the rate but also the amount of profit will rise, because surplus-value itself has risen as a consequence of the increased employment of labour, without this increase resulting in an additional cost for raw material. Here again, increases in the rate and the amount of profit will take place without any kind of change in the value of labour.

Suppose on the other hand that cotton doubles in value as a result of a bad harvest so that the same amount of cotton ||336| which formerly cost £100 now costs £200. In this case, the rate of profit will fall at all events, but in certain circumstances, the amount or absolute magnitude of profit may fall as well. If the capitalist employs the same number of workers, who do the same amount of work as they did before, under exactly the same conditions as before, the rate of profit will fall, although the ratio of surplus labour to necessary labour, and therefore the rate and the yield of surplus-value, will remain *the same*. The rate of profit falls because the production costs of surplus-value have risen, i.e., the capitalist has to spend £100 more on raw material in order to appropriate the same amount of other people's labour-time as before. However, if the capitalist is now forced to allocate a part of the money which he formerly spent on wages to buying cotton, e.g., to spend £150 on cotton, of which sum £50 formerly went on wages, then the rate and the amount of profit fall, the amount decreases because less labour is being employed, even though the rate of surplus-value remains the same. The result would be the same if, owing to a bad harvest, there were not enough cotton available to absorb the same amount of living labour as formerly. In both cases, the amount and the rate of profit would fall, although the

value of labour would remain the same; in other words, the rate of surplus-value or the quantity of unpaid labour which the capitalist receives in relation to the labour for which he pays wages, remains unchanged.

Thus, when the rate *of surplus-value*, that is, when the *value* of *labour*, remains unchanged, a change in the value of constant capital must produce a change in the rate of profit and may be accompanied by a change in the total amount of profit.

On the other hand, as far as the worker is concerned:

If the value of cotton, and therefore the value of the product into which it enters, falls, he still receives the same amount of wages, equal to 10 hours of labour. But he can now buy the cotton goods which he himself uses more cheaply, and can therefore spend part of the money he previously spent on cotton goods on other things. It is only in this proportion that the necessities of life available to him increase in quantity, that is, in the proportion in which he saves money on the price of cotton goods. For apart from this, he now receives no more for a greater quantity of cotton goods than he did previously for a smaller quantity. Other goods have risen in the same proportion as cotton goods have fallen. In short, a greater quantity of cotton goods now has no more value than the smaller quantity had previously. *In this case, therefore, the value of wages would remain the same, but it would represent a greater quantity of other commodities* (use-values). *Nevertheless, the rate of profit would rise although, given the same circumstances, the rate of surplus-value could not rise.*

The opposite is the case when cotton becomes dearer. If the worker is employed for the same amount of time and still receives a wage equal to 10 hours as he did previously, the value of his labour would remain the same, but its use-value would fall insofar as the worker himself is a

consumer of cotton goods. In this case, the *use-value of wages would fail*, its *value*, however, would remain *unchanged*, although the rate of profit would also fall. Thus, whereas surplus-value and (real) wages always fall and rise in inverse ratio (with the exception of the case where the worker participates in the [yield of the] absolute lengthening of his working-day; but when this happens, the worker uses up his labour-power all the more quickly), it is possible for the rate of profit to rise or fall in the first case although the value of wages remains the same and their use-value increases, in the second case although the *value of wages* remains the same, while their use-value falls.

Consequently, a rise in the rate of profit resulting from a fall in the *value* of constant capital, has no direct connection whatever with any kind of variation in the real value of wages (that is, in the labour-time contained in the wages).

If we assume, as in the above case, that cotton falls in value by 50 per cent, then nothing could be more incorrect than to say either that the production costs of wages have fallen or that, if the worker is paid in cotton goods and receives the same value as he did previously, that is, if he receives a greater *amount* of cotton goods than he did previously (since although 10 hours, for example, still equals 10sh., I can buy more cotton goods for 10sh. than I could before, because the value of raw cotton has fallen), the rate of profit would remain the same. The rate of surplus-value remains the same, but the ||337| rate of profit rises. The *production costs of the product* fall, because an element of the product—its raw material—now costs less labour-time than previously. The production costs of wages remain the same as before, since the worker works the same amount of labour-time *for himself* and the same *for the* capitalist as he did before. (The production costs of wages do not depend however on the labour-time which the means of

production used by the worker cost, but on the time he works in order to reproduce his wages. According to Mr. Mill, the production costs of a worker's wages would be greater if, for example, he worked up copper instead of iron, or flax instead of cotton; and they would be greater if be sowed flax seed rather than cotton seed, or if he worked with an expensive machine rather than with no machine at all, but simply with tools.) The *production costs of profit* would fall because the aggregate value, the total amount of the capital advanced in order to produce the surplus-value would fall. The cost of surplus-value is never greater than the cost of the part of capital spent on wages. On the other hand, the cost of profit is equal to the total cost of the capital advanced in order to create this surplus-value. It is therefore determined not only by the value of the portion of capital which is spent on wages and which creates the surplus-value, but also by the value of the elements of capital necessary to bring into action the one part of capital which is exchanged against living labour. Mr. Mill confuses the production costs of profit with the production costs of surplus-value, that is, he confuses profit and surplus-value. This analysis shows the importance of the cheapness or dearness of raw materials for the industry which works them up (not to speak of the relative cheapening of machinery*), even assuming that the market price is equal to the value of the commodity, that is, that the market price of the commodity falls in exactly the same ratio as do the raw materials embodied in it.

Colonel Torrens is therefore correct when he says with regard to England:

In relation "... to a country in the condition of England, the importance of a foreign market must be measured not by the quantity of finished goods which it receives, but by the quantity of the elements of reproduction which it returns" (R. Torrens, *A Letter to [the Right Honourable]*

Sir Robert Feet [...] *on the Condition of England etc.*, second ed., London, 1843, p. 275).

<The way Torrens seeks to prove this, however, is bad. The usual talk about supply and demand. According to him it would appear that if, for example, English capital which manufactures cotton goods grows more rapidly than capital which grows cotton, in the United States for instance, then the price of cotton rises and then, he says:

> "... the value of cotton fabrics will decline in relation to the elementary cost of their production" [op. cit., p. 240].

That is to say, while the price of the raw material is rising due to the growing demand from England, the price of cotton fabrics, raised by the rising price of the raw material, will fall; we can indeed observe at the present time (spring 1862), for instance, that cotton twist is scarcely more expensive than raw cotton and woven cotton hardly any dearer than yarn. Torrens, however, assumes that there is an adequate supply of cotton, though at a rather high price, available for consumption by English industry. The price of cotton rises above its value. Consequently, if cotton fabrics are sold at their value, this is only possible provided the cotton-grower secures more surplus-value from the total product than is his due, by actually taking part of the surplus-value due to the cotton manufacturer. The latter cannot replace this portion by raising the price, because demand would fall if prices rose. On the contrary, his profit may decline even more as a consequence of falling demand than it does as a consequence of the cotton-grower's surcharge.

The demand for raw materials—raw cotton, for example—is regulated annually not only by the effective demand existing at a given moment, but by the average demand throughout the year, that is, not only by the demand from the mills that are working at the time, but by this demand increased by the number of mills which,

experience shows, will start operating during the course of the coming year, that is, by the *relative increase in the number of mills taking place during the year*, or by the surplus demand ||338| corresponding to this relative increase.

Conversely, if the price of cotton, etc., should fall, e.g., as a result of an especially good harvest, then in most cases the price falls below its value, again through the law of demand and supply. The rate of profit—and possibly, as we saw above, the total amount of profit—increases, consequently, not only in the proportion in which it would have increased had the cotton which has become cheaper been sold at its value; but it increases because the finished article has not become cheaper in the *total* proportion in which the cotton-grower sold his raw cotton below its value, that is, because the manufacturer has pocketed part of the surplus-value due to the cotton-grower. This does not diminish the demand for his product, since its price falls in any case due to the decrease in the value of cotton. However, its price does not fall as much as the price of raw cot-ton falls below its own value.

In addition, demand increases at such times because the workers are fully employed and receive full wages, so that they themselves act as consumers on a significant scale, consumers of their own product. In cases in which the price of the raw material declines, not as a result of a permanent or continuous fall in its average production costs but because of either an especially good or an especially bad year (weather conditions), the workers' wages do not fall, the demand for labour, however, grows. The effect produced by *this* demand is not merely proportionate to its growth. On the contrary, when the product suddenly becomes dearer, on the one hand many workers are dismissed, and on the other hand the manufacturer seeks to recoup his loss by reducing wages below their normal level. Thus the normal demand on the part of the workers declines, intensifying the now general

decline in demand, and worsening the effect this has on the market price of the product.>

It was mainly his (Ricardian) conception of the division of the product between worker and capitalist which led Mill to the idea that changes in the value of constant capital alter the value of labour or the production costs of labour; for example, that a fall in the value of the constant capital advanced results in a decline in the value of labour, in its production costs, and therefore also in wages. The value of yarn falls as a result of a decrease in the value of the raw material—raw cotton, for example. *Its* costs of production decline: the amount of labour-time embodied in it is reduced. If, for example, a pound of cotton twist were the product of one man working a twelve-hour day, and if the value of the cotton contained in this twist fell, then the value of the pound of twist would fall in the precise degree that the cotton required for spinning fell. For example, [the price of] one pound of No. 40 Mule yarn 2nd quality was 1*s*. on May 22nd, 1861. It was 11d. on May 22nd, 1858 (11 $^{6}/_{8}$d. in actual fact, since its price did not fall to the same extent as that of raw cotton). But in the first case a pound of fair raw cotton cost 8d. (8 $^{1}/_{8}$d. in actual fact) and 7d. (7 $^{3}/_{8}$d. in actual fact) in the second. In these cases, the value of the yarn fell in exactly the same degree as the value of cotton, its raw material. Consequently, says Mill, the amount of labour remains the same as it was previously; if it was 12 hours, the product is the result of the same 12 hours of labour. But there was 1d. less worth of the pre-existing labour in the second case than in the first. The labour [-time] is the same, but the production costs of labour have been reduced (by 1d.). Now although one pound of cotton twist as twist, as a use-value, remains the product of 12 hours labour as it was previously, the *value* of the pound of twist is neither now, nor was it previously, the product of 12 hours work by the spinner. The value of the raw cotton, which in the first case amounted to two-thirds of

1s., i.e., 8d., was not the product of the spinner; in the second case, two-thirds of 11d., that is, 7d., was not his product. In the first case the remaining 4d, is the product of 12 working hours, and just the same amount—4d.—is the product in the second. In both cases, his labour adds only a third to the value of the twist. Thus, in the first case, only $^1/_3$ lb. of twist out of 1 lb. of yarn was the product of the spinner (disregarding machinery) and it was the same in the second case. The worker and the capitalist have only 4d. to divide between them, the same as previously, that is, $^1/_3$ lb. of twist. If the worker buys cotton twist with the 4d., he will receive a greater quantity of it in the second case than in the first, now however a bigger quantity of twist is worth the same as a smaller quantity of twist was previously. But the division of the 4d. between worker and capitalist remains the same. If the time worked by the worker to reproduce or produce his wages is 10 hours, his surplus labour amounts to 2 hours, as it did previously. He receives $^5/_6$ of 4d, or of $^1/_3$ lb. of cotton twist—as he did previously—and the capitalist receives $^1/_6$. Therefore no change ||339| has taken place in respect of the division of the product, of the cotton twist. None the less, the rate of profit has risen, because the value of the raw material has fallen and, consequently, the ratio of surplus-value to the total capital advanced, that is, to the production costs of the capitalist, has increased.

If, for the sake of simplification, we abstract from the machines, etc., then the two cases stand as follows:

Price of 1 lb. of twist	Constant capital	Labour added	Wages	Total expenditure	surplus-value	Rate of profit

1st case	12 d.	8d.	4d.	$13^{1}/_{3}$ farthings	11d. $^{4}/_{3}$ farthings	$2^{2}/_{3}$ farthings	$5^{15}/_{17}$ per cent
2nd case	11 d.	7d.	4d.	$13^{1}/_{3}$ farthings	10d. $^{4}/_{3}$ farthings	$2^{2}/_{3}$ farthings	$6^{14}/_{31}$ per cent

Thus the rate of profit has risen although the *value* of labour has remained the same and the use-value of the labour as expressed in cotton twist has risen. The rate of profit has risen without any kind of variation in the labour-time which the worker appropriates for himself, *solely* because the value of the cotton, and consequently the total value of the production costs of the capitalist, has fallen. $2\,^{2}/_{3}$ farthings on 11d. $^{4}/_{3}$ farthings expenditure is naturally less than $2\,^{2}/_{3}$ farthings on 10d. $^{4}/_{3}$ farthings expenditure.

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In the light of what has been said above, the fallaciousness of the following passages with which Mill concludes his illustration becomes clear,

> "If the cost of production of wages had remained the same as before, profits could not have risen. Each labourer received one quarter of corn; but one quarter of corn at that time was the result of the same cost of production as $1\,^{1}/_{5}$ quarter now. In order, therefore, that each labourer should receive the same cost of production, each must [...] receive one quarter of corn, plus one-fifth" ([John Stuart Mill, Essays on some unsettled Questions of Political Economy, London, 1844,] p. 103).

> "Assuming, therefore, that the labourer is paid in the very article he produces, it is evident that, when any saving of expense takes place in the production of that article, if the labourer

> still receives the same cost of production as before, he must receive an increased quantity, in the very same ratio in which the productive power of capital has been increased. But, if so, the outlay of the capitalist will bear exactly the same proportion to the return as it did before; and profits will not rise." (This is wrong.) "The variations, therefore, in the rate of profits, and those in the cost of production of wages, go hand in hand, and are inseparable. Mr. Ricardo's principle [...] is strictly true, if by low wages be meant not merely wages which are the produce of a smaller quantity of labour, but wages which are produced at less cost, reckoning labour and previous profits together" (loc. cit., p.104).

Thus according to Mill's illustration, Ricardo's view is strictly true if low wages (or the production costs of wages in general) are taken to mean not only the opposite of what he said they mean, but if they are taken to mean absolute nonsense, namely, that the production costs of wages are taken to mean not that portion of the working-day which the worker works to replace his wages, but also the production costs of the raw material he works up and the machinery he uses, that is, labour-time which he has *not* expended at all—neither for himself nor for the capitalist.

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Fifthly. Now comes the real question: How far can a change in the value of constant capital affect the surplus-value?

If we say that the value of the average daily wage is equal to 10 hours or, what amounts to the same thing, that from the working-day of, let us say, 12 hours which the worker labours, 10 hours are required in order to produce and replace his wages, and that only the time he works over and above this is unpaid labour-time in which he produces values which the capitalist ||340| receives

without having paid for them; this means nothing more than that 10 hours of labour are embodied in the total quantity of means of subsistence which the worker consumes. These 10 hours of labour are expressed in a certain sum of money with which he buys the food.

The value of commodities however is determined by the labour-time embodied in them, irrespective of whether this labour-time is embodied in the raw material, the machinery used up, or the labour newly added by the worker to the raw material by means of the machinery. Thus, if there were to be a constant (not temporary) change in the value of the raw material or of the machinery which enter into this commodity—a change brought about by a change in the productivity of labour which produces this raw material and this machinery, in short, the constant capital embodied in this commodity—and if, as a result, more or less labour-time were required in order to produce this part of the commodity, the commodity itself would consequently be dearer or cheaper (provided both the productivity of the labour which transforms the raw material into the commodity and the length of the working-day remained unchanged). This would lead either to a rise or to a fall in the production costs, i.e., the value, of labour-power; in other words, if previously out of the 12 hours the worker worked 10 hours for himself, he must now work 11 hours, or, in the opposite case, only 9 hours for himself. In the first case, his labour for the capitalist, i.e., the surplus-value, would have declined by half, from two hours to one; in the second case it would have risen by half, from two hours to three. In this latter case, the rate of profit and the total profit of the capitalist would rise, the former because the value of constant capital would have fallen, and both because the rate of surplus-value (and its amount in absolute figures) would have increased.

This is the only way in which a change in the value of constant capital can affect the value of labour, the

production cost of wages, or the division of the working-day between capitalist and worker, hence also the surplus-value.

However, this simply means that for the capitalist who, for example, spins cotton, the necessary labour-time of his own workers is determined not only by the productivity of labour in the spinning industry, but likewise by the productivity of labour in the production of cotton, of machinery, etc., just as it is also determined by the productivity in all branches of industry whose products—although they do not enter as constant capital, that is, either as raw material or as machinery, etc., into his product (a product which, it is assumed, enters into the consumption of the worker), into the yarn—constitute a part of the circulating capital which is expended in wages, that is, by the productivity in the industries producing food, etc. What appears as the product in one industry appears as raw material or instrument of labour in another; the constant capital of one industry thus consists of the products of another industry; in the latter it does not constitute constant capital, but is the result of the production process within this branch. To the individual capitalist it makes a great deal of difference whether the increased productivity of labour (and therefore also the fall in the value of labour-power) takes place within his own branch of industry or amongst those which supply his industry with constant capital. For the capitalist class, for capital as a whole, it is all the same.

Thus this case <in which a fall (or a rise) in the value of constant capital is not due to the fact that the industry employing this constant capital produces on a large scale, but to the fact that the production costs of constant capital itself have changed> concurs with the laws elaborated for surplus-value.

When in general we speak about profit or rate of profit, then *surplus-value* is supposed to be *given*. The

influences therefore which determine surplus-value *have* all operated. This is the presupposition.

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Sixthly. In addition, one could have set forth how the ratio of constant capital to variable capital and *hence* the rate of profit is altered by a particular form of surplus-value. Namely, by the lengthening of the working-day beyond its normal limits. ||341| This results in the diminution of the relative value of the constant capital or of the proportionate part of value which it constitutes in the total value of the product. But we will leave this till Chapter III where the greater part of what has been dealt with here really belongs.

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Mr. Mill, basing himself on his brilliant illustration, advances the general (Ricardian) proposition:

> "The *only* expression of the law of profits ... is, that they depend on the cost of production of wages" (loc. cit., pp. 104-05).

On the contrary, one should say: The rate of profit (and this is what Mr. Mill is talking about) depends *exclusively* on the cost of production of wages only in one *single* case. And this is when the rate of surplus-value and the rate of profit are *identical*. But this can only occur if the whole of the capital advanced is laid out directly in wages, so that no constant capital, be it raw material, machinery, factory buildings, etc., enters into the product, or that the raw material, etc., insofar as it does enter, is not the product of labour and costs nothing—a case which is virtually impossible in capitalist production. *Only* in this case are the variations in the rate of profit identical with the variations in the rate of surplus-value, or, what amounts to the same thing, with the variations in the production costs of wages.

In general however (and this also includes the exceptional case mentioned above) the rate of profit is equal to the ratio of surplus-value to the total value of the capital advanced.

If we call the surplus-value *S*, and the value of the capital advanced *C*, then profit works out at *S*: *C* or *S/C*. This ratio is determined not only by the size of *S* <and all the factors which determine the production cost of wages enter into the determination of *S*> but also by the size of *C*. But *C*, the total value of the capital advanced, consists of the constant capital, *c*, and the variable capital, *v* (laid out in wages). The rate of profit is therefore *S : (v+c)=S: C*. But *S* itself, the surplus-value, is determined not only by its own rate, i.e., by the ratio of surplus labour to necessary labour, in other words, by the division of the working-day between capital and labour, that is, its division into paid and unpaid labour-time. The quantity of surplus-value, i.e., the total amount of surplus-value, is likewise determined by the number of working-days which capital exploits simultaneously. And, for a particular capital, the amount of labour-time employed at a definite rate of unpaid labour depends on the time in which the product remains in the actual *production process* without labour being applied or without the same amount of labour as was required formerly (for example, wine before it has matured, corn once it has been sown, skins and other materials which are subjected to chemical treatment for a certain period, etc.), as well as on the length of time involved in the circulation of the commodity, the length of time required for the metamorphosis of the commodity, that is, the interval between its completion as a product and its reproduction as a commodity. How many days can be worked simultaneously (if the value of wages, and therefore the rate of surplus-value, is given) depends in general on the *amount of capital* expended on wages. But on the whole, the factors mentioned above

modify the total amount of living labour-time which a capital of a given size can employ during a definite period—during a year, for example. These circumstances determine the absolute amount of labour-time which a given capital can employ. This does not, however, alter the fact that surplus-value is determined exclusively by its own rate multiplied by the number of days worked simultaneously. These circumstances only determine the operation of the last factor, the amount of labour-time employed.

The rate of surplus-value is equal to the ratio of surplus labour in *one* working-day, that is, it is equal to the surplus-value yielded by a single working-day. For example, if the working-day is 12 hours and the surplus labour 2 hours, then these 2 hours constitute $^1/_6$ of the total labour-time of 12 hours; but we must calculate them on the necessary labour (or on the wages paid for it, they represent *the same* quantity of labour-time in materialised form); [therefore it is] $^1/_5$ ($^1/_5$ of 10 hours=2 hours) ($^1/_5$=20 per cent). In this case the amount of surplus-value (yielded in a single day) is determined entirely by the rate. If the capitalist operates on the scale of 100 such ||342| days, then the surplus-value (its total amount) will be 200 labour hours. The rate has remained the same—200 hours for 1,000 hours of necessary labour will give $^1/_5$, or 20 per cent. If the rate of surplus-value is given, its amount depends entirely on the number of workers employed, that is, on the total amount of capital expended on wages, variable capital. If the number of workers employed is given, that is, the *amount* of capital laid out in wages, the variable capital, then the amount of surplus-value depends entirely on its rate, that is, on the ratio of surplus labour to necessary labour, on the production costs of wages, on the division of the working-day between capitalist and worker. If 100 workers (working 12 hours a day) provide me with 200 labour hours, then the total amount of surplus-value will be 200,

the rate $^{1}/_{5}$ of a [paid] working-day, or 2 hours. And the surplus-value comes to 2 hours multiplied by 100 [=200]. If 50 workers provide me with 200 labour hours, then the total amount of the surplus-value is 200 hours; the rate is $^{2}/_{5}$ of a (paid) working-day, that is, 4 hours. And the surplus-value amounts to 4 hours multiplied by 50 =200. Since the total amount of surplus-value is equal to the product of its rate and the number of working-days, it can remain the same although the factors change in an inverse ratio.

The rate of surplus-value is always expressed in the ratio of surplus-value to variable capital. For variable capital is equal to the total amount of the paid labour-time; surplus-value is equal to the total amount of unpaid labour-time. Thus the ratio of surplus-value to variable capital always expresses the ratio of the unpaid part of the working-day to the paid part. For example, in the case mentioned previously, let the wage for 10 hours be 1 thaler, where 1 thaler represents a quantity of silver which contains 10 hours of labour. 100 working-days are consequently paid for with 100 thaler. Now if the surplus-value amounts to 20 thaler, the rate is $^{20}/_{100}$, or $^{1}/_{5}$, or 20 per cent. Or what amounts to the same thing, the capitalist receives 2 hours for every 10 working hours (equal to 1 thaler); for 100x10 working hours, that is, 1,000 hours, he receives 200 hours or 20 thaler.

Thus, although the rate of surplus-value is determined exclusively by the ratio of surplus labour-time to necessary time, in other words, by the corresponding part of the working-day which the worker requires to produce his wages, that is, by the production cost of wages, the amount of surplus-value is moreover determined by the number of working-days, by the total quantity of labour-time which is employed at this definite rate of surplus-value, that is, by the total amount of capital expended on wages (if the rate of surplus-value is given). But since profit is the ratio, not of the rate of surplus-value, but of

the total amount of surplus-value to the total value of the capital advanced, then clearly its rate is determined not only by the rate, but also by the total amount of surplus-value, an amount which depends on the compound ratio of the rate and the number of workingdays, on the amount of capital expended on wages and the production costs of wages.

If the rate of surplus-value is given, then its amount depends exclusively on the amount of capital advanced (laid out in wages). Now the average wage is the same, in other words, it is assumed that workers in all branches of industry receive a wage of 10 hours, for example. (In those branches of industry where wages are higher than the average, this, from our point of view and for the matter under consideration, would amount to the capitalist employing a *greater number* of unskilled workers.) Thus, if it is assumed that the surplus labour is equal, and this means that the entire normal working-day is equal (the inequalities cancel one another out in part since one hour of skilled labour, for example, is equal to two hours of unskilled labour), ||343| then the amount of the surplus-value depends entirely on the amount of capital expended [on wages]. It can therefore be said that the amounts of surplus-value are proportional to the amounts of capital laid out (in wages). This does not, however, apply to profit, since profit [expresses] the ratio of surplus-value to the total value of the capital expended, and the portion which capitals of equal size lay out in wages, or the ratio of variable capital to the total capital, can be and is very different. The amount of profit—as regards the different capitals—here depends on the ratio between the variable capital and the total capital, that is, on $v/c+v$. Thus, if the rate of surplus-value is given, and it is always expressed by s/v, by the ratio of surplus-value to variable capital, then the rate of profit is determined entirely by the ratio of variable capital to the total capital.

The rate of profit is thus *determined, firstly, by the rate of surplus-value*, that is, by the ratio of unpaid labour to paid labour; and it changes, rises or falls (insofar as this action is not rendered ineffectual by movements of the other determining factors), with changes in the rate of surplus-value. This, however, rises or falls in *direct* proportion to the productivity of labour and in *inverse* proportion to the value of labour, that is, to the production costs of wages or the quantity of necessary labour.

Secondly, however, the rate of profit is determined by the ratio of variable capital to the total capital, by $v/c+v$. The total amount of surplus-value, where its rate is given, depends of course only on the size of the variable capital, which, on the assumption made, is determined by, or simply expresses, the number of working-days worked simultaneously, that is, the total amount of labour-time employed. But the rate of profit depends on the ratio of this absolute magnitude of surplus-value, which is determined by the variable capital, to the total capital, that is, on the ratio between variable capital and total capital, on $v/c+v$. Since S, surplus-value, has been assumed as given in calculating the rate of profit, and therefore v is likewise assumed as given, any variations occurring in can be due only to variations in c, that is, in constant capital. For if v is given, the sum $c+v$, equal to C, can only change if c changes and the ratio $v/c+v$ or v/C changes with changes in the sum.

If v=100, c=400, then $v+c$=500 and $v/v+c = {}^{100}/_{500} = {}^{1}/_{5} =$ 20 per cent. Therefore, if the rate of surplus-value came to ${}^{5}/_{10}$ or ${}^{1}/_{2}$, [the amount of surplus-value] would be 50. But since the variable capital is only equal to ${}^{1}/_{5}$ the total capital, the profit is therefore a half of a fifth, that is, one-tenth [of the total capital] and, in fact, ${}^{1}/_{10}$ of 500, which is 50, that is, 10 per cent. The ratio $v/c+v$ changes with every change in c, but naturally

not by the same numerical quantity. If we assume that *v* and *c* amount originally to 10 each, that is to say, that the total capital consists of half variable and half constant capital, then $v/v+c = {}^{10}/_{10}+10 = {}^{10}/_{20} = {}^{1}/_{2}$. If the rate of surplus-value is $^{1}/_{2}$ of *v*, then it is equal to $^{1}/_{4}$ of *C*. In other words, if the surplus-value is 50 per cent, then in this case, where the variable capital is C/2, the rate of profit comes to 25 per cent. If we now assume that the constant capital is doubled, i.e., it increases from 10 to 20 then $v/c+v = {}^{10}/_{20}+10 = {}^{10}/_{30} = {}^{1}/_{3}$. (The rate of surplus-value, $^{1}/_{2}$ of 10, would now be $^{1}/_{2}$ of $^{1}/_{3}$ of *C*, that is, $^{1}/_{6}$ of 30, that is, 5. Thus $^{1}/_{2}$ of 10=5, 5calculated on 10 is 50 per cent, 5 calculated on 30 is 16 $^{2}/_{3}$ per cent. On the other hand, 5 calculated on 20 was $^{1}/_{4}$, that is 25 per cent.) The constant capital has doubled, that is, it has increased from 10 to 20. But the sum *c+v* has only increased by half namely, from 20 to 30. The constant capital has increased by 100 per cent, the sum *c+v* only by 50 per cent. The ratio *v/c+v* originally $^{10}/_{20}$, has fallen to $^{10}/_{30}$, that is, from a half to a third, that is, from $^{3}/_{6}$ to $^{2}/_{6}$. Thus it has fallen by only $^{1}/_{6}$, where- as the constant capital has been doubled. How the growth or decline in the constant capital affects the ratio *v/c+v* depends evidently on the proportion in which *c* and *v* originally constitutee parts of the whole capital *C* (consisting of *c+v*).

||344| The *constant* capital (that is, its value) can *firstly* rise(or fall) although the amounts of raw material, machinery, etc., employed, remain the same. In this case therefore, the variations in constant capital are not determined by the conditions of production prevailing in the industrial process into which it enters as constant capital, but are independent of them. Whatever the *causes* bringing about the change in value may be, they always influence the rate of profit. In this case, the same amount of raw material, machinery, etc., has more or less value than it did previously, because more or less

labour-time was required to produce them. The variations, then, are determined by the conditions production of the processes from which the component parts of constant capital emerge as products. We have already[yy] examined how this affects the rate of profit.

As far as the rate of profit is concerned, whether in a particular industry constant capital, raw material, for example, rises or falls in value because its own production has become dearer, etc., amounts to the same thing as if in some branch of industry (or even in the same branch) more expensive raw material were used for the production of one type of commodity than for that of another type, while the outlay on wages remained unchanged.

When there is equal expenditure on wage-labour, but the *raw* material worked up by one kind of capital (corn, for example) is dearer than the raw material worked up by another (oats, for example) (or, for that matter, silver and copper, etc., or wool and cotton, etc.), the rate of profit for the two capitals must be in inverse proportion to the dearness of the raw material. Thus, if on the average the same profit is made in both branches of industry, then this is only possible because the surplus-value is shared between the capitalists, not in accordance with the ratio of surplus-value which each capitalist produces in his own particular sphere of production but in relation to the size of the capital they employ. This can happen in two ways. A, who works up the cheaper material, sells his commodity at its real value; he thereby also pockets the surplus-value he himself has produced. The price of his commodity is equal to its value. B, who works up dearer material, sells his commodity above its value and charges as much in his price [in order that his commodity should yield a corresponding profit] as if he had been working up a cheaper material. If A and B exchange their products, then it is the same for A as if he had included a smaller

amount of surplus-value in the price of his commodity than it actually contains. Or as if both A and B had from the very beginning charged a rate of profit commensurate with the size of the capital invested, that is, had divided the joint surplus-value between them on the basis of the amount of the capital they had invested. And this is what the term general rate of profit denotes.

Naturally this equalisation does not take place when the constant element in a particular capital such as raw materials, for example, falls or rises temporarily under the influence of the seasons, etc. Although the extraordinary profits made by the cotton-spinners, for example, in years of especially good cotton crops, undoubtedly lead to an influx of new capital into this branch of industry and give rise to the building of a large number of new factories and of textile machinery. If a bad year for cotton ensues, then the loss [because of the sudden rise in the price of cotton] will be all the greater.

Secondly, the production costs of machinery, raw materials, in short of constant capital, remain the same, but larger amounts of them may be required; their value therefore grows in proportion to the growing amount used as a result of the changed conditions of production in the processes in which those elements enter as means of production. In this case, as in the previous example, the increase in the value of constant capital results of course in a fall in the rate of profit. On the other hand however, these variations in the conditions of production themselves indicate that labour has become more productive and thus that the rate of surplus-value has risen. For more raw material is now being consumed by the same amount of living labour only because it can now work up the same amount in less time, and more machinery is now being used only because the cost of machinery is smaller than the cost of the labour it replaces. Thus it is a question here of making up to a certain extent the fall in the rate of profit by increasing

the rate of surplus-value and therefore also the total amount of surplus-value.

Finally, the two factors responsible for the change in value can operate together in very different combinations. For example, ||345| the average value of raw cotton has fallen, but simultaneously the value of the amount of cotton which can be worked up in a certain time, has increased even more. [Or] the value of cotton has risen, and so has the value of the total amount of it which can be worked up in a given time. Machinery with increased productive capacity has become dearer in absolute terms, but has become cheapen in relation to its efficiency, and so forth.

It has been assumed hitherto that the variable capital remains unchanged. Variable capital, however, can also decline not only relatively but absolutely, as for example in agriculture; that is, it can decline not only relative to the size of the constant capital. Alternatively, variable capital can increase absolutely. In this case, however, it is the same as if it remained unchanged, insofar as the constant capital grows in a greater or in the same ratio the reasons mentioned above.

If the constant capital remains unchanged, then any rise or fall of it in relation to the variable capital is accounted for only by a relative rise or fall of the constant capital due to an absolute fall or rise of the amount of variable capital.

If the variable capital remains unchanged, then every rise or fall in the constant capital can be explained only by its own absolute rise or fall.

If variations take place in both variable and constant capital simultaneously, then after deducting the variations which are identical in both, the result is the

same as if one had remained unchanged while the other had risen or fallen.

Once the *rate of profit* is given, the amount of profit depends on the size of the capital employed. A large capital with a low rate of profit yields a larger profit than a small capital with a high rate of profit.

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So much for this digression.

Apart from this, only the two following passages from John Stuart Mill require comment:

> "*Capital*, strictly speaking, has no *productive power*. The only productive power is that of labour; assisted, no doubt, by tools, and acting upon raw materials"[zz] (op. cit., p. 90).

Strictly speaking, he here confuses capital with the material elements of which it is constituted. However, the passage is valuable for those who do the same thing and who nevertheless assert that capital has productive power. Of course, here too the matter is only stated correctly insofar as the production of value is considered. After all, nature also produces insofar as it is only a question of use-values.

> "... *productive power of capital* [...] can only mean[aaa] the quantity of real productive power which the capitalist, by means of his capital, can command" (loc. cit., p. 91).

Here capital is conceived correctly as a production relation. |VIII-345||

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||XIV-851| In a previous notebook I have traced in detail how Mill violently attempts to derive Ricardo's law of the *rate of profit* (in inverse proportion to wages) directly from the law of value without distinguishing between *surplus-value* and *profit*.

[8. Conclusion]

This whole account of the Ricardian school shows that it declines at two points.

1) Exchange between capital and labour corresponding to the law of value.

2) Elaboration of the general rate of profit. Identification of surplus-value and profit. Failure to understand the relation between values and cost-prices.

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* ||XV-887| <The following has to be added with regard to Bailey's insipidity.

When he says that A is distant from B, he does not thereby compare them with one another, equalise them, but *separates* them in space. They do *not* occupy *the same* space. Nevertheless he still declares that both are *spatial* things and are differentiated in virtue of being things which belong in space. He therefore makes them equal in advance, gives them the same unity. However, here it is a question of equation.

If I say that the area of the triangle A is equal to that of the parallelogram B, this means not only that the area of the triangle is expressed in the parallelogram and that of the parallelogram in the triangle, but it means that if the height of the triangle is equal to *h* and the base equal to *b*, then $A=^{h\times b}/_{2}$, a property which belongs to it itself just as it

is a property of the parallelogram that it is likewise equal to $h \times b/2$. As areas, the triangle and the parallelogram are here declared to be equal, to be equivalents, although as a triangle and a parallelogram they are different. In order to equate these different things with one another, each must represent *the same common element* regardless of the other. If geometry, like the political economy of Mr. Bailey, contented itself with saying that the equality of the triangle and of the parallelogram means that the triangle is expressed in the parallelogram, and the parallelogram in the triangle, it would be of little value.> |XV-887||

* By *relative* cheapening of machinery, I mean that the absolute value of the amount of machinery employed increases, but that it does not increase in the same proportion as the mass and efficiency of the machinery.

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[a] See this volume, pp. 30-32.—*Ed.*

[b] See this volume, pp. 14 and 29-31.—*Ed.*

[c] See this volume, p. 58.—*Ed.*

[d] In the manuscript, “proportion”.—*Ed.*

[e] The manuscript has “time can do nothing”.—*Ed.*

[f] The manuscript has “add to value” instead of “create *value*”.—*Ed.*

[g] In the manuscript, “Mr. Mill”.—*Ed.*

[h] This and the other passages taken by Marx from Parisot’s translation of Mill’s work are quoted in this volume from James Mill, *Elements of Political Economy*, London, 1824. These quotations are marked “Parisot” and the French text Marx used can be found in the Appendix of this volume.—*Ed.*

[i] This passage taken by Marx from Prévost's translation of McCulloch's book *A Discourse on the Rise, Progress, Peculiar Objects, and Importance of Political Economy*, is quoted here from the English original, p. 71.—*Ed.*

[j] See this volume, pp. 99-100.—*Ed.*

[k] The manuscript has "state".—*Ed.*

[l] Marx wrote most of this and of the two following paragraphs in English.—*Ed.*

[m] The manuscript has "*his*".—*Ed.*

[n] See this volume, p. 111.—*Ed.*

[o] Marx wrote this paragraph and the one following the passage quoted almost entirely in English.—*Ed.*

[p] Marx wrote this paragraph in English—*Ed.*

[q] Under the aspect of space.—*Ed.*

[r] Marx here sums up Bailey's argument in his own words.—*Ed.*

[s] See this volume, pp. 110-11.—*Ed.*

[t] See this volume, p. 34.—*Ed.*

[u] Marx wrote most of this paragraph and the one following the quotation in English.—*Ed.*

[v] See this volume, p. 143.—*Ed.*

[w] See this volume, pp. 150 and 153-54.—*Ed.*

[x] In the manuscript, this reads: "there is for it no function to perform".—*Ed.*

[y] See this volume, p. 129.—*Ed.*

[z] Marx here summarises the ideas developed by Bailey in Chapter X of his book.—*Ed.*

[aa] See this volume, pp. 85-88.—*Ed.*

[bb] Instead of this part of the sentence Marx wrote in the manuscript: "The three types of commodities cannot be entirely distinguished from one another."—*Ed.*

[cc] The beginning of this paragraph up to "for *resemblances" is* Marx's summary of Malthus's views on McCulloch. The rest is a direct quotation.—*Ed.*

[dd] Instead of "*real* and *exchangeable*", the manuscript has "*real* and *relative or exchangeable value*".—*Ed.*

[ee] Marx mentions p. 211 and p. 225.—*Ed.*

[ff] Instead of "required for the production of any commodity", the manuscript has "expended in its appropriation or production".—*Ed.*

[gg] The manuscript has "*a*".—*Ed.*

[hh] This passage from McCulloch which Marx quotes from Prévost's translation is quoted here from *The Edinburgh Review*, Vol. XL, *March-July 1824*.—*Ed.*

[ii] The manuscript has "stationary" instead of "constant".—*Ed.*

[jj] The manuscript has "to the wages".—*Ed.*

[kk] In this sentence, which is written in German, Marx summarises the ideas set forth by McCulloch on pp. 373-74.—*Ed.*

[ll] The manuscript has "But the".—*Ed.*

[mm] The manuscript has "So a".—*Ed.*

[nn] Instead of “constitutes the [...] *profits*”, the manuscript has “constitutes the *profit* or *surplus* which Ricardo cannot explain on the basis of his theory”.—*Ed.*

[oo] Marx here is summarising a paragraph printed on p, 18 of Stirling’s book.—*Ed.*

[pp] This sentence and the one preceding it are a summary by Marx of Mill’s arguments on this page.—*Ed.*

[qq] This and the following sentence are a compression by Marx of Mill’s ideas, which are spread over several paragraphs in his book.—*Ed.*

[rr] The manuscript has “For a”.—*Ed.*

[ss] The manuscript has “plus”.—*Ed.*

[tt] The manuscript has “is therefore strictly true”.—*Ed.*

[uu] It is proved.—*Ed.*

[vv] The manuscript has “fixed capital”.—*Ed.*

[ww] The manuscript has “For *a”*.—*Ed.*

[xx] The manuscript has “plus*”*.—*Ed.*

[yy] See this volume, pp.218-25.—*Ed.*

[zz] The manuscript has “machinery”.—*Ed.*

[aaa] The manuscript has “is nothing but” instead of “can only mean”.—*Ed.*

[Chapter XXI] Opposition to the Economists (Based on the Ricardian Theory)

||852| During the Ricardian period of political economy its antithesis, communism (Owen) and socialism (Fourier, St. Simon, the latter only in his first beginnings), [comes] also [into being]. According to our plan we are here concerned only with that opposition, which takes as its starting-point the premises of the economists.

It will be seen from the works which we quote that in fact they all derive from the Ricardian form.

1. [The Pamphlet] "The Source and Remedy of the National Difficulties"

[a) Profit, Rent and Interest Regarded as Surplus Labour of the Workers. The Interrelation Between the Accumulation of Capital and the so-called "Labour Fund"]

The Source and Remedy of the National Difficulties, [deduced from Principles of Political Economy, in] a Letter to Lord John Russell, London, 1821. (anonymous).

This scarcely known pamphlet (about 40 pages) [which appeared] at a time when McCulloch, "this incredible cobbler", began to make a stir, contains an important advance on Ricardo. It bluntly describes surplus-value—or "profit", as Ricardo calls it (often also "surplus produce"), or "*interest*", as the author of the pamphlet terms it—as "*surplus labour*", the labour which the worker performs gratis, the labour he performs over and above the quantity of labour by which the value of his labour-power is replaced, i.e., by which he produces an equivalent for his wages. Important as it was to reduce *value* to labour, it was equally important [to present] *surplus-value*, which manifests itself in *surplus product*, as *surplus labour*. This was in fact already stated by Adam Smith and constitutes one of the main elements in Ricardo's argumentation. But nowhere did he clearly express it and record it in an *absolute form*.

Whereas the only concern of Ricardo and others is to understand the conditions of capitalist production, and to assert them as the absolute forms of production, the pamphlet and the other works of this kind to be mentioned seize on the mysteries of capitalist production which have been brought to light in order to combat the latter from the standpoint of the industrial proletariat.

[We read in the pamphlet:]

> "... whatever may be *due* to the capitalist" (from the viewpoint of the capitalist) "he *can only receive the surplus labour* of the labourer; for the labourer *must live...*" *(The Source and Remedy of the National Difficulties*, p. 23).

To be sure, these conditions of life, the minimum on which the worker can live, and consequently also the

quantity of surplus labour which can be squeezed out of him, are relative magnitudes.

> "... if capital does not decrease in value as it increases in amount, the capitalists will exact from the labourers the produce of every hour's labour beyond what it is *possible* for the labourer to subsist on: and however horrid and disgusting it may seem, the capitalist may eventually speculate on the food that requires the least labour to produce it, and eventually say to the labourers, 'You sha'n't eat bread, because barley meal is cheaper; you sha'n't eat meat, because it is possible to subsist on beet root and potatoes'. And to this point have we come!" (loc. cit., pp. 23-24).

> "... if the labourer can be brought to feed on potatoes instead of bread, it is indisputably true that more can be exacted from his labour; that is to say,[a] if when he fed on bread he was obliged *to retain for the maintenance of himself and family the labour of Monday and Tuesday*, he will, on potatoes, require only the half of Monday; and *the remaining half of Monday and the whale of Tuesday* are available either *for the service of the state or the capitalist*" (loc. cit., p. 26).

Here profit, etc., is reduced directly to appropriation of the labour-time for which the worker receives no equivalent.

> "It is admitted that the interest paid to the capitalists, whether in the nature of rents, interests of money, or profits of trade, is paid out of *the labour of others*" (loc. cit., p. 23).

Rent, money interest, industrial profit, are thus merely different forms of "*interest* of capital", which again is reduced to the "*surplus labour* of the labourer". This surplus labour takes the form of surplus produce. The capitalist is the owner of the surplus labour or of the surplus produce. The surplus produce is capital.

> "Suppose ... there is no *surplus labour*, consequently, nothing that can be allowed to accumulate as capital" (op. cit., p. 4).

And, immediately after this he says:

> "... the possessors of the surplus produce, *or* capital..." (loc. cit., p. 4).

The author says, in a quite different sense from the whining Ricardians:

> "... the natural and necessary consequence of an increased capital, [is] its decreasing value..." (op. cit., pp. 21-22).

And in reference to Ricardo:

> "Why set out by telling us that no accumulation of capital will lower profits, because nothing will lower profits but increased wages, when it appears that if population does not increase with capital, wages would increase from the disproportion between capital and labour; and if population does increase, wages would increase from the difficulty of producing food" (loc. cit., p. 23, note).

||853| If the value of capital, that is, the interest of capital, i.e., the surplus labour which it commands, which it appropriates, did not decrease when the amount of capital increases, the [accumulation of] interest from interest would follow in geometrical progression, and just as, calculated in money (see *Price*), this presupposes an *impossible* accumulation (rate of accumulation), so, reduced to its real element—labour, it would swallow up not only the surplus labour, but also the necessary labour as "being due" to capital. (We shall return to Price's fantasy in the section on Revenue and its Sources.)

> "... if it were possible to continue to increase capital and keep up the value of capital, which is proved by the interest of money continuing the same, the interest to be paid for capital

> would soon exceed the whole produce of labour... capital tends in more than arithmetical progression to increase capital. It is admitted that the *interest* paid to the capitalists, whether in the nature of rents, *interests* of money, or *profits* of trade, is paid out of the labour of others. If then[b] capital go on accumulating [...] the labour to be given for the use of capital must go on increasing, interest paid for capital continuing the same, till all the labour of all the labourers of the society is engrossed by the capitalist. [...] that it is[c]b [...] impossible to happen; for whatever may be *due* to the capitalist, he can *only receive the surplus labour* of the labourer; for the labourer must live..." (loc. cit., p. 23).

But it is not clear to him how the value of capital decreases. He himself says, when dealing with Ricardo, that this recurs because wages rise when capital accumulates more rapidly than the population grows, or because the *value* of wages (not the quantity) increases when the population grows more rapidly than capital accumulates (or even if population *increases simultaneously*) as a result of decreasing productivity of agriculture. But how does he explain it? He does not accept the latter alternative; he assumes that wages are reduced more and more to the minimum possible. [A reduction of "interest" on capital] can only take place, he says, because the portion of capital which is exchanged for living labour declines relatively, although the worker is exploited more than, or just as much as, before.

In any case, it is a step forward that the nonsense about the geometrical progression of interest is reduced to its true sense, that is, nonsense.*

There are, by the way, according to the pamphleteer, two methods which, in spite of the growth of surplus product or surplus labour, prevent capital from being

forced to give a greater share of its plunder back to the workers.

The first is the conversion of surplus product into fixed capital, which prevents the labour fund—or the part of the product consumed by the worker—from necessarily increasing with the accumulation of capital.

The second is foreign trade, which enables the capitalist to exchange the surplus product for foreign luxury articles and thus to consume it himself, In this way, even that part of the product which exists as *necessaries* may quite well increase without the need for it to be returned to the worker in the form of a proportionate increase in wages.

It should be noted that the first method—which is only effective for a time and then neutralises its own effect (at least as regards the fixed capital consisting of machinery, etc., which itself is used in the production of necessaries)—implies the transformation of surplus product into capital, whereas the second method implies consumption of an ever-increasing portion of the surplus product by the capitalists—increasing consumption on the part of the capitalists and not the *reconversion* of surplus product into capital. If the same surplus product were to remain in the form in which it immediately exists, a greater part of it would have to be exchanged with the workers as variable capital. The result would be an increase in wages and a reduction in the amount of absolute or relative surplus-value. Here is the real secret of the necessity for increasing consumption by "the rich", advocated by Malthus, *in order that the part of the product which is exchanged for labour and converted into capital, should have great value, yield large profits, absorb a large amount of surplus labour*. He does not however propose that the industrial capitalists themselves should increase their consumption, but [allots] this *function* to *landlords*, sinecurists, etc., because the urge for accumulation and the urge for

expenditure, if united in the same person, would play tricks on each other. It is here also that the erroneousness of the view of Barton, Ricardo, and others stands out. Wages are not determined by that portion of the total product that is either consumed as, or can be converted into, *variable* capital, but by that part of it which is actually converted into variable capital. A part can be consumed by retainers even in its natural form, another can be consumed in the shape of luxury products by means of foreign trade, etc.

Our pamphleteer overlooks two things:

As a result of the introduction of machinery, a mass of workers is constantly being thrown out of employment, a section of the population is thus made redundant; the surplus product therefore finds fresh labour for which it can be exchanged without any increase in population and without any need to extend the absolute working-time. Let us assume that 500 workers were employed previously, whereas now there are 300 workers, who perform relatively more surplus labour. The other 200 can be employed by the surplus product as soon as it has increased sufficiently. One portion of the old [variable] capital is converted into fixed capital, the other gives employment to fewer workers but extracts from them more surplus-value in relation to their number and in particular also more surplus product. The remaining 200 are material created for the purpose of capitalising additional surplus product.

||853a| The transformation of *necessaries* into *luxuries* by means of foreign trade, as interpreted in the pamphlet, is important in itself:

1) because it puts an end to the nonsensical idea that wages depend on the amount of necessaries produced, as if these necessaries had to be consumed in this form by the producers or even by the whole body of people

engaged in production, in other words that they must be transformed again into variable capital or "circulating capital", as it is termed by Barton and Ricardo;

2) because it determines the whole social pattern of backward nations—for example, the slave-holding states in the United States of North America (see *Cairnes*) or *Poland*, etc. (as was already understood by old *Büsch*, unless he stole the idea from Steuart)—which are associated with a world market based on capitalist production. No matter how large the surplus product they extract from the surplus labour of their slaves in the simple form of cotton or corn, they can adhere to this simple, undifferentiated labour because foreign trade enables them [to convert] these simple products into any kind of use-value.

The assertion that the portion of the annual product which must be expended as wages depends on the size of the circulating capital, is equal to the assertion that, when a large part of the product consists of "buildings", houses for workers are built in large numbers relative to the size of the working population, and that consequently the workers must live in cheap and well-built houses because the supply of houses increases more quickly than the demand for them.

It is correct, on the other hand, that, if the surplus product is large and the greater part of it is to be employed as capital, then there must be an increase in the demand for labour and therefore also in that part of the surplus product which is exchanged for wages (provided large numbers of workers did not have to be thrown out of work in order to obtain a surplus product of this size). At all events, it is not the *absolute size* of the surplus product (in whatever form it may exist, even that of necessaries) which necessarily requires it to be expended as variable capital and which consequently causes an increase in wages, but it is the desire to capitalise which results in a

large part of the surplus product being laid out in variable capital and this would *consequently* make wages grow with the accumulation of capital if machinery did not constantly make [a section of] the population redundant and if an ever greater portion of capital (in particular as a result of foreign trade) were not exchanged for capital, not for labour. *The portion of surplus product which is already produced directly in a form in which it can only serve as capital, and that portion of it which acquires this form as a result of foreign trade, grow more rapidly than the portion which must be exchanged against immediate labour.*

The proposition that wages depend on existing capital and that therefore a rapid accumulation of capital is the sole means by which wages are made to rise, amounts to this:

On the one hand, to a *tautology*, if we disregard the form in which the conditions of labour exist as capital. How rapidly the number of workers can be increased without worsening their living conditions depends on the *productivity of labour* which a given number of workers perform. The more raw materials, tools and means of subsistence they produce, the greater the means at their disposal not only to bring up their children so long as these cannot work themselves, but to realise the labour of the new, growing generation, and consequently to make the growth of production keep up with, and even outdo, the growth of population, since with the growth of the population, the [workers'] skill increases, division of labour grows, the possibility [for using] machinery grows, constant capital grows, in short, the productivity of labour grows.

While the growth of population depends on the productivity of labour, the productivity of labour depends on the growth of population. It is a case of reciprocity. But this, expressed in capitalist terms,

signifies that the means of subsistence of the working population depend on the productivity of capital, on the largest possible portion of their product confronting them as a force which commands their labour. Ricardo himself expresses the matter *correctly*—I mean the tautology—when he makes wages depend on the productivity of capital, and the latter de-pendent on the productivity of labour.[d]

That labour depends on the growth of capital signifies nothing more than, on the one hand, the tautology ||854| that the increase in the means of subsistence and the means of employment of the population depends on the productivity of the population's own labour and, secondly, expressed in capitalist terms, that *it depends on the fact* that the population's own product confronts them as *alien property* and that as a consequence their own productivity confronts them as the *productivity* of the things which they create.

In practice this means that the worker must appropriate the smallest possible part of his product in order that the largest possible part of it may confront him as *capital;* he must surrender as much as possible to the capitalist *gratis*, in order that the latter s means for purchasing his labour—with what has been taken away from the worker without compensation—may increase as much as possible. In this case it can happen that, if the capitalist has made the worker work a great deal for nothing, he may then, in exchange for what he has received for nothing, allow the worker to do a little less work for nothing. However, since this prevents the achievement of what is aimed at, namely, *accumulation of capital as rapidly as possible*, the worker must live in such circumstances that this reduction in the amount of labour he performs for nothing is in turn counteracted by a growth of the working population, either relatively as a result of the use of machinery, or absolutely as a result of

early marriage. (It is the same relationship which is derided by the Ricardians when the Malthusians preach it between landlords and capitalists.) The workers must relinquish the largest possible part of their product to the capitalist without receiving anything in return, so as, when conditions are *more favourable*, to buy back with new labour a part of the product so relinquished. However, since the conditions for the favourable change are at the same time counteracted by this favourable change, it can only be temporary and must turn again into its own opposite.

3) What applies to the transformation of necessaries into luxuries by means of foreign trade, applies in general to luxury production, whose unlimited diversification and expansion depends, however, on foreign trade. Although the workers engaged in luxury production produce capital for their employers, their product, in the form in which it exists, cannot be transformed into capital, either constant or variable capital.

Luxury products, apart from those which are sent abroad to be exchanged for necessaries which enter into variable capital either in whole or in part, simply constitute *surplus labour* and [moreover] surplus labour which is immediately *in the shape* of *surplus products* which the rich consume as revenue. But they do not represent only the surplus labour of the workers who produce them. On the average, these perform the same surplus labour as the workers in other branches of industry. But in the same way as one-third of the product, which contains a third of the surplus labour, can be considered as the embodiment of this surplus labour, and the remaining two-thirds as reproduction of the capital advanced, so the surplus labour of the producers of those necessaries which constitute the wages of the producers of luxuries can also be considered as the necessary labour of the work-in g class as a whole. Their surplus labour consists 1) of that part of the necessaries which is

consumed by the capitalists and their retainers; and 2) of the total amount of luxuries. With regard to the individual capitalist or a particular branch of industry the matter appears quite different. For the capitalist, one part of the luxuries created by him represents merely an equivalent for the capital laid out.

If too large a part of surplus labour is embodied directly in luxuries, then clearly, accumulation and the rate of reproduction will stagnate, because too small a part is reconverted into capital. If too small a part [of surplus labour] is embodied in luxuries, then the accumulation of capital (that is, of that part of the surplus product which can in kind serve as capital again) will proceed more rapidly than increase in population, and the rate of profit will fall, unless a foreign market for necessaries exists.

[b) On the Exchange Between Capital and Revenue in the Case of Simple Reproduction and of the Accumulation of Capital]

In the exchange between capital and revenue I have regarded wages, too, as revenue and have merely examined the relationship of constant capital to revenue. The fact that the revenue of the worker is at the same time variable capital is important only insofar as in the accumulation of capital—the formation of new capital—the surplus consisting of means of subsistence (necessaries) in the possession of the capitalist producing them can be exchanged directly for the surplus consisting of raw materials or machinery in the possession of the capitalist producing constant capital. Here one form of revenue is exchanged for the other, ||855| and, once the exchange is effected, the revenue of A is converted into the constant capital of B and the revenue of B into the variable capital of A.

In considering this circulation, reproduction and manner of replacement of the different capitals, etc., one must first of all disregard foreign trade.

Secondly, it is necessary to distinguish between the two aspects of the phenomenon:

1) Reproduction on the existing scale,

2) Reproduction on an extended scale, or accumulation; transformation of revenue into capital.

With regard to 1.

I have shown:

That what the *producers of necessaries* have to replace is 1) their constant capital, 2) their variable capital. The part of their product in excess of these two constitutes the *surplus product*, the material existence of *surplus-value*, which in its turn only represents *surplus labour*.

Variable capital, that part of their product which represents it, is made up of wages, the revenue of the workers. This part already exists here in the *natural form* in which it serves as variable capital once again. With this part, the equivalent reproduced by the worker, the labour of the worker is bought once again. This is the exchange of capital for immediate labour. The worker receives this part in the form of money with which he buys back his own product, or other products of the same category. This is the exchange of *the different portions of the variable part of capital for one* another after the worker has in the form of money received an assignment to his quota. This is exchange of one part of newly added labour for another part within the same category (necessaries).

The part of the surplus product (newly added labour) consumed by the capitalists (who produce necessaries)

themselves, is either consumed by them in kind or they exchange one type of surplus product existing in consumable form against another type. This is exchange of revenue for revenue, both of them consisting of newly added labour.

We cannot really speak of exchange between revenue and capital in the above transaction. Capital (necessaries) is exchanged against labour (labour-power). This is therefore not an exchange of revenue for capital. It is true that as soon as the worker receives his wages, he consumes them. But what he exchanges for capital is not his revenue, but his labour.

The third part [of the product of the producer of necessaries which constitutes] constant capital is exchanged for a part of the product of those manufacturers who produce constant capital; namely, for that part which represents newly added labour. This consists of an equivalent for the wages (that is, of variable capital) and of the surplus product, the surplus-value, the revenue of the capitalists which exists in a form in which it can only be consumed industrially and not individually. On the one hand, this is therefore exchange of the *variable capital of these producers* for a part of the necessaries which constitute the constant capital [of the producers of necessaries]. In fact they exchange a part of their product which constitutes variable capital but exists in the form of constant capital, for a part of the product of those manufacturers who produce necessaries, a part which constitutes constant capital but exists in the form of variable capital. Here newly added labour is exchanged for constant capital.

On the other hand, that part of the product which represents surplus product but exists in the form of constant capital is exchanged for a portion of necessaries which represents constant capital for its producers. Here revenue is exchanged for capital. The revenue of the

capitalists who produce constant capital is exchanged for necessaries and replaces the constant capital of the capitalists who produce necessaries.

Finally, a part of the product of the capitalists who produce constant capital, namely, that part which itself represents constant capital, is replaced partly in kind, partly through barter (concealed by money) between the producers of constant capital.

It is assumed in all this that the scale of reproduction is the same as the original scale of production.

If we enquire what part of the total annual product is made up of newly added labour, then the calculation is quite simple.

A. *Consumable articles* [for individual consumption. These] consist of three parts. [Firstly,] the revenue of the capitalist which equals the surplus labour added during the year.

Secondly, wages, i.e., variable capital, which is equal to the newly added labour by which the workers have reproduced their wages.

Finally, the third part, raw materials, machinery, etc. This is constant capital, that part of the value of the product which is only retained, not produced. That is, it is not labour newly added during the course of the year.

||856| If we call constant capital [in this category] c', variable capital v', and surplus product, the revenue r', then this category consists of [c' and $v'+r'$]:

c' (which constitutes a part of the product) is merely retained value and does not consist of newly added labour; on the other hand, $v'+r'$ consist of labour newly added during the course of the year.

The total product [of the category A] (or its value) P_a after deduction of c', therefore, consists of newly added labour.

Thus the product of category A, namely: $P_a - c'$, is equal to the labour newly added during the course of the year.

B. *Articles* for *industrial consumption*.

Here also $v''+r''$ are made up of newly added labour. But not c'', the constant capital which operates in this sphere.

But $v''+r''=c'$ for which they are exchanged. c' is transformed into variable capital and revenue for B. On the other hand, v'' and r'' are transformed into c', into constant capital for A.

The product of the category [B, that is] P_b. $P_b - c''$ is equal to the labour newly added during the course of the year.

But $P_b - c''=c'$, for the whole product of P_b after deduction of c'', the constant capital employed in this category, is exchanged for c'.

After $v''+r''$ have been exchanged for c', the matter can be presented as follows:

P_a consists solely of newly added labour, the product of which is divided between profits and wages, that is, it constitutes the equivalent of necessary labour and the equivalent of surplus labour. For the $v''+r''$ which now replace c' are equal to the newly added labour in category B.

Thus the whole product P_a—not only its surplus product, but also its variable capital and its constant capital—consists of the products of labour newly added during the course of the year.

On the other hand, P_b can be regarded in such a way that it does not represent any part of the newly added labour, but merely old labour which is retained, For its part c'' does not represent newly added labour. Neither does the part c' which it has received in exchange for $v''+r''$, for this c' represents the constant capital laid out in A, and not newly added labour.

The whole part of the annual product which, as variable capital, constitutes the revenue of the workers and as surplus product constitutes the consumption fund of the capitalist, therefore consists of newly added labour, whereas the remaining part of the product, which represents constant capital, consists merely of old labour which has been retained and simply replaces constant capital.

Consequently, just as it is correct to say that the whole portion of the annual product which is consumed as revenue, wages and profits (together with the branches of profit, rent, interest, etc., as well as the wages of the unproductive labourers) consists of newly added labour, so it is false to assert that the total annual product resolves itself into revenue, wages and profits and thus merely into portions of newly added labour. A part of the annual product resolves itself into constant capital, which regarded as value does *not* comprise newly added labour and, as regards use does not form part of either wages or profits. Its value represents accumulated labour in the real sense of the word, and its use-value, the utilisation of this accumulated past labour.

On the other hand, it is equally correct that the *labour added during the year* is not represented entirely by that part of the product which constitutes wages and profits. For these wages and profits also buy services, that is, labour which does not enter into the product of which wages and profit form [a part]. These services are labour

which is used up in the consumption of the product and does not enter into its immediate production.

||857| With regard to 2.

It is a different matter with regard to accumulation, transformation of revenue into capital, *reproduction on an extended scale*, insofar as this latter does not simply result from *more productive employment* of the old capital. Here the whole new capital consists of newly added labour, that is, of surplus labour in the form of profit, etc. But although it is correct that here the entire element in new production arises from and consists of newly added labour—which is a part of the surplus labour of the labourers—it is wrong to assume, as the economists do, that, when it is converted into capital, it constitutes only variable capital, that is, wages. Let us suppose for example that a part of the surplus product of the farmer is exchanged for a part of the surplus product of the machine manufacturer. It is then possible that the latter will convert the corn into variable capital and employ more workers, directly or indirectly. On the other hand, the farmer has converted a part of his surplus product into constant capital, and it is possible that, as a result of this conversion, he will discharge some of his old workers instead of taking on new ones. The farmer may cultivate more land. In this case, a part of his corn will be converted not into wages, but into constant capital, etc.

It is precisely accumulation which reveals clearly that everything—i.e., revenue, variable capital and constant capital—is nothing but *appropriated alien* labour; and that both the means of labour with which the worker works, and the equivalent he receives for his labour, consist of labour performed by the worker and appropriated by the capitalist, who has *not given any equivalent for it*.

[The same applies] even to original accumulation. Let us assume that I have saved £500 from my *wages*. In fact, therefore, this Sum represents not only *accumulated labour* but, in contrast to the "accumulated labour" of the capitalist, *my* own labour accumulated by me and for me. I convert the £500 into capital, buy raw material, etc., and take on workers. Profit is, say, 20 per cent, that is, £100 a year. In five years I shall have "eaten up" my capital in the form of revenue (provided new accumulation does not continuously take place and the £100 [profit] is consumed). In the sixth year, my capital of £500 itself consists of other people's labour appropriated without any equivalent. If, on the other hand, I had always accumulated half of the profit made, the process [of eating up my original capital] would have been slower, for I would not have consumed so much, and [the process of appropriating other people's labour] more rapid.

	capital	Profit	Consumed
First year	500	100	50
Second year	550	110	55
Third year	605	121	60
Fourth year	665	133	66
Fifth year	731	146	73
Sixth year	804	160	So
Seventh year	884	176	88
Eighth year	972	194	97
			569

My capital will have been almost doubled in eight years although I have consumed more than my original capital. The capital of £972 does not contain a single farthing of paid labour or of labour for which I have returned any kind of equivalent. I have consumed my entire original capital in the form of revenue, that is, I have received an equivalent for it, which I have

consumed. The new capital consists solely of the appropriated labour of other people.

In considering surplus-value as such, the original form of the product, hence of the surplus product, is of no consequence. It becomes important when considering the actual process of reproduction, partly in order to understand its forms, and partly in order to grasp the influence of luxury production, etc., on reproduction. Here is another example of how *use-value* as such acquires economic significance.

[c) The Merits of the Author of the pamphlet and the Theoretical Confusion of His Views. The Importance of the Questions He Raises about the Role of Foreign Trade in Capitalist society and of "Free Time" as Real Wealth]

||858|| Now to return to our pamphlet.

> "Suppose the whole labour of the country to raise just sufficient for the support of the whole population; it is evident there is no surplus labour, consequently, nothing that can be allowed to accumulate as capital. Suppose the whole labour of the country to raise as much in *one* year as would maintain it two years, it is evident one year's consumption must perish, or for one year men must cease from productive labour. But the *possessors of the surplus produce, or capital*, will neither maintain the population the following year in idleness, nor allow the produce to perish; they will employ them upon something not directly and immediately productive, for instance, in the erection of machinery, etc., etc., etc. But the third year, the whole population may again return to productive labour, and the machinery erected in the last year coming now into operation, it is evident the produce [...] will be greater than the first year's produce [...] and[e] the produce of the machinery in

addition. [...] this surplus labour must[f] perish, or be put to use as before; and this usance again adds to the productive power [...] of the society [...] till men *must* cease from productive labour for a time, or the produce of their labour must perish, This is the palpable consequence in the simplest state of society" (op. cit., pp. 4-5).

"The demand of other countries is limited, not only by *our* power to produce, but by *their* power to produce... "

<This is the answer to Say's assertion that we do not produce too much, but they produce too little. Their power to produce is not necessarily equal to our power to produce.>

"For do what you will, in a series of years the whole world can take little more of us, than we take of the world [...] so that all your foreign trade, of which there is so much talking, never did, never could, nor ever can, add one shilling, or one doit to the wealth of the country, as for every bale of silk, chest of tea, pipe of wine that ever was imported, something of equal value was exported; and even the profits made by our merchants in their foreign trade are paid by the consumer of the return goods here" (op. cit., pp. 17-18).

"...foreign trade is mere barter and exchange for the convenience and enjoyment of the capitalist: he has not a hundred bodies, nor a hundred legs: he cannot consume, in cloth and cotton stockings, all the cloth and cotton stockings that are manufactured; therefore they are exchanged for wines and silks; but those *wines and silks represent the surplus labour of our own population*, as much as the cloths and cottons, and in this way *the destructive power of the capitalist list is increased beyond all bounds:*—by foreign trade the capitalists contrive to outwit nature, who had put a thousand natural limits to their exactions, and to their wishes to exact; there is

> no limit now, either to their power, or [...] desires..." (loc. cit., p. 18).

One sees that he accepts Ricardo's teaching on foreign trade. In Ricardo's work its only purpose is to support his *theory of value* or to demonstrate that his views on foreign trade are not at variance with it. But the pamphlet stresses that it is not only national labour, but *also national surplus labour which is embodied in the outcome of foreign trade*.

If surplus labour or surplus-value were represented only in the national surplus product, then the increase of value for the sake of value and therefore the exaction of surplus labour would be restricted by the limited, narrow circle of use-values in which the value of the [national] labour would be represented. But it is foreign trade which develops its [the surplus product's] real nature as value by developing the labour embodied in it as social labour which manifests itself in an unlimited range of different use-values, and this in fact gives meaning to abstract wealth.

> "... It is *the infinite variety of wants*, and of the *kinds* of commodities" <and therefore also the infinite variety of real labour, which produces those different kinds of commodities> "*necessary to their gratification*, which alone renders the passion for wealth" (and hence the passion for appropriating other people's labour) "indefinite and insatiable" (Wakefield's edition of Adam Smith, *An Inquiry into the Nature and Source of the Wealth of Nations*, Vol. 1, London, 1835, p. 64, note).

But it is only foreign trade, the development of the market to a world market, which causes money to develop into world money and *abstract labour* into social labour. Abstract wealth, value, money, hence *abstract labour*, develop in the measure that concrete labour becomes a totality of different modes of labour embracing

the world market. Capitalist production rests on the *value* or the transformation of the labour embodied in the product into social labour. But this is only [possible] on the basis of foreign trade and of the world market. This is at once the pre-condition and the result of capitalist production.

||859| The pamphlet is no theoretical treatise. [It is a] protest against the false reasons given by the economists for the distress and the "national difficulties" of the times. It does not, consequently, make the claim that its conception of surplus-value as *surplus labour* carries with it a general criticism of the entire system of economic categories, nor can this be expected of it. The author stands rather on Ricardian ground and is only consistent in stating one of the consequences inherent in the system itself and he advances it in the interests of the working class against capital.

For the rest, the author remains a captive of the economic categories as he finds them. Just as in the case of Ricardo the confusion of surplus-value with profit leads to undesirable contradictions, so in his case the fact that he christens surplus-value the *interest of capital*.

To be sure, he is in advance of Ricardo in that he first of all reduces all surplus-value to surplus labour, and when he calls surplus-value *interest of capital*, he at the same time emphasises that by this he understands the general form of surplus labour in contrast to its special forms—rent, interest of money and industrial profit.

> "...*interest* paid to the capitalists, whether in the *nature*" (it should be shape, form) "*of rents, interests of money*, or *profits of trade" ([The Source and Remedy of the National Difficulties*, London, 1821,] p. 23).

He thus distinguishes the general form of surplus labour or surplus-value from their particular forms,

something which neither Ricardo nor Adam Smith [does], at least not consciously or consistently. But on the other hand, he applies the name of one of these particular forms—interest—to the general form. And this suffices to make him relapse into economic slang.

> "The progress of [...] increasing capital would, in established societies, he marked by the decreasing interest of money, or, which is the same thing,[g] the decreasing quantity of the labour of others that would be given for its use..." (op. cit., p. 6).

This passage reminds one of Carey. But with him it is not the labourer who uses capital, but capital which uses the labourer. Since by *interest* he understands surplus labour in any form, the matter of the remedy of our "national difficulties" amounts to an increase in *wages;* for the reduction of interest means a reduction of surplus labour. However, what he really means is that in the exchange of capital for labour the appropriation of alien labour should be reduced or that the worker should appropriate more of his own labour and capital less.

Reduction of surplus labour can mean two things:

Less work should be performed over and above the time which is necessary to reproduce the labour-power, that is, to create an equivalent for wages;

or, less of the *total quantity of labour* should assume the *form* of *surplus labour*, that is, the form of time worked gratis for the capitalist; therefore less of the product in which labour manifests itself should take the form of *surplus product;* in other words, the worker should receive more of his own product and less of it should go to the capitalist.

The author is not quite clear about this himself, as can be seen from the following passage which is really the last word in this matter as far as the pamphlet is concerned:

A[h] nation is really rich only if no interest is paid for the use of capital; when only six hours instead of twelve hours are worked... "Wealth [...] is *disposable time*, and nothing more" (loc. cit., p. 6).

Since what is understood by interest here is profit, rent, interest—in short, all the forms of surplus-value—and since, according to the author himself, capital is nothing but the produce of labour, i.e., accumulated labour which is able to exact in exchange for itself not only an equal quantity of labour, but surplus labour, according to him the phrase: capital bears no interest, therefore means that capital ||860| does not exist. The product is not transformed into capital. No *surplus product* and no *surplus labour* exist. Only then is a nation really rich.

This can mean however: There is no product and no labour *over and above* the product and the labour required for the reproduction of the workers. Or, they [the workers] *themselves* appropriate this surplus either of the product or of the labour.

That the author does *not simply mean* the latter is, however, clear from the fact that the words "no interest is paid for the use of capital" are juxtaposed to the proposition that a nation is really rich when only six hours not twelve hours are worked[i]; "*wealth* [...] *is disposable time, and nothing more*".

This can now mean:

If everybody has to work, if the contradiction between those who have to work too much and those who are idlers disappears—and this would in any case be the result of capital ceasing to exist, of the product ceasing to provide a title to alien *surplus labour*—and if, in addition, the

development of the productive forces brought about by capitalism is taken into account, society will produce the necessary abundance in six hours, [producing] more than it does now in twelve, and, moreover, all will have six hours of "disposable time", that is, real wealth; time which will not be absorbed in direct productive labour, but will be available for enjoyment, for leisure, thus giving scope for free activity and development, Time is *scope* for the development of man's faculties, etc. The economists themselves justify the slave-labour of the wage-labourers by saying that it creates leisure, free time for *others*, for another section of society—and thereby also for the society of wage-labourers.

Or it can also mean:

The workers now work six hours more than the time (*now*) required for their own reproduction. (This can hardly be the author's view, since he describes what they use *now* as an in human minimum.) If capital ceases to exist, then the workers will work for six hours only and the idlers will have to work the same amount of time. The material wealth of all would thus be depressed to the level of the workers. But all would have *disposable time*, that is, free time for their development.

The author himself is obviously not clear about this. Nevertheless, there remains the fine statement:

A nation is really rich when six hours instead of twelve hours are worked. "*Wealth* [...] *is disposable time, and nothing more*."

Ricardo himself, in the chapter entitled "*Value and Riches, Their Distinctive Properties*", also says that real wealth consists in producing the greatest possible amount of values in use having the least possible [exchange-] value. This means, in other words, that the greatest possible abundance of material wealth is created in the

shortest possible labour-time. Here also, the "disposable time" and the enjoyment of that which is produced in the labour-time of others, appear as the real wealth, but like everything in capitalist production—and consequently in its interpreters—it appears in the form of a contradiction. In Ricardo's work the contradiction between riches and value later appears in the form that the net product should be as large as possible in relation to the gross product, which again, in this contradictory form, amounts to saying that those classes in society whose time is only partly or not at all absorbed in material production although they enjoy its fruits, should be as numerous as possible in comparison with those classes whose time is totally absorbed in material production and whose consumption is, as a consequence, a mere item in production costs, a mere condition for their existence as beasts of burden. There is always the wish that the smallest possible portion of society should be doomed to the slavery of labour, to forced labour. This is the utmost that can be accomplished from the capitalist standpoint.

The author puts an end to this. *Labour-time*, even if exchange-value is eliminated, always remains the creative substance of wealth and the measure of the *cost* of its production. But free time, *disposable time*, is wealth itself, partly for the enjoyment of the product, partly for free activity which—unlike labour—is not dominated by the pressure of an extraneous purpose which must be fulfilled, and the fulfilment of which is regarded as a natural necessity or a social duty, according to one's inclination.

It is self-evident that if labour-time is reduced to a normal length and, furthermore, labour is no longer performed for someone else, but for myself, and, at the same time, the social contradictions between master and men, etc., being abolished, it acquires a quite different, a free character, it becomes real social labour, and finally the basis of *disposable time*—the *labour* of a man who

has also disposable time, must be of a much higher quality than that of the beast of burden.

2. Ravenstone. [The View of Capital as the Surplus Product of the Worker. Confusion of the Antagonistic Form of Capitalist Development with Its Content. This Leads to a Negative Attitude Towards the Results of the Capitalist Development of the Productive Forces]

||861| Piercy Ravenstone, M. A., *Thoughts on the Funding System, and its Effects*, London, 1824.

A most remarkable work.

The author of The *Source and Remedy of the National Difficulties* discussed above understands surplus-value in its original form, i.e., that of *Surplus labour*. Consequently his attention is mainly centred on the extent of labour-time. In particular, the conception of *surplus labour* or [surplus-] value in its absolute form; the extension of labour-time beyond that required for the reproduction of the labourer himself, not the reduction of

necessary labour as a result of the development of the productive power of labour.

The reduction of this necessary labour is the principal aspect examined by Ricardo, but in the way it is carried out in capitalist production, namely, as a means for extending the amount of labour-time accruing to capital. This pamphlet, on the contrary, declares that the final aim is the *reduction of* the producers' *labour-time* and the cessation of labour for the *possessor of surplus produce*.

Ravenstone seems to assume the working-day as given. Hence, what he is particularly interested in—just as was also the author of the pamphlet previously discussed, so that the theoretical questions only crop up incidentally—is relative surplus-value or the surplus product (which accrues to capital) as a result of the development of the productive power of labour. As is usual with those who adopt this standpoint, surplus labour is conceived here more in the form of surplus product, whereas in the previous [pamphlet], surplus product is conceived more in the form of surplus labour.

> "To teach that the wealth and power of a nation depend on its *capital* is to make industry ancillary to riches, to make men subservient to property" ([Ravenstone, *Thoughts on the Funding System, and its Effects*, London, 1824,] p. 7).

The opposition evoked by the Ricardian theory—on the basis of its own assumptions—has the following characteristic feature.

To the same extent as political economy developed—and this development finds its most trenchant expression in Ricardo, as far as fundamental principles are concerned—it presented labour as the sole element of value and the only creator of use-values, and the development of the productive forces as the only real

means for increasing wealth; the greatest possible development of the productive power of labour as the economic basis of society. This is, in fact, the foundation of *capitalist production*. Ricardo's work, in particular, which demonstrates that the law of value is not invalidated either by landed property or by capitalist accumulation, etc., is, in reality, only concerned with eliminating all contradictions or phenomena which appear to run counter to this conception. But in the same measure as it is understood that labour is the *sole* source of exchange-value and the active source of use-value, "*capital*" is likewise conceived by the same economists, in particular by Ricardo (and even more by Torrens, Malthus, Bailey, and others after him), as the regulator of production, the source of wealth and the aim of production, whereas labour is regarded as wage-labour, whose representative and real instrument is inevitably a pauper (to which Malthus's theory of population contributed), a mere production cost and instrument of production dependent on a minimum wage and forced to drop even below this minimum as soon as the existing quantity of labour is "superfluous" for capital. In this contradiction, political economy merely expressed the essence of capitalist production or, if you like, of wage-labour, of labour alienated from itself, which stands confronted by the wealth it has created as alien wealth, by its own productive power as the productive power of its product, by its enrichment as its own impoverishment and by its social power as the power of society. But this definite, *specific*, historical form of social labour which is exemplified in capitalist production is proclaimed by these economists as the general, eternal form, as a natural phenomenon, and *these* relations of production as the absolutely (not historically) necessary, natural and reasonable relations of social labour. Their thoughts being entirely confined within the bounds of capitalist production, they assert that the *contradictory* form in which social labour manifests itself there, is just as

necessary as labour itself freed from this contradiction. Since in the self-same breath they proclaim on the one hand, *labour* as such (for them, labour is synonymous with wage-labour) and on the other, *capital* as such—that is the poverty of the workers and the wealth of the idlers—to be the sole source of wealth, they are perpetually involved in absolute contradictions without being in the slightest degree aware of them. (*Sismondi* was epoch-making in political economy because he had an inkling of this contradiction.) Ricardo's phrase "labour *or* capital" reveals in a most striking fashion both the contradiction inherent in the terms and the naïvety with which they are stated to be identical.

Since the same real development which provided bourgeois political economy with this striking theoretical expression, unfolded the real contradictions contained in it, especially the contradiction between the growing wealth of the English "nation" and the growing misery of the workers, and since moreover these contradictions are given a *theoretically* compelling if unconscious expression in the Ricardian theory, etc., it was natural for those thinkers ||XV-862| who rallied to the side of the proletariat to seize on this contradiction, for which they found the theoretical ground already prepared. Labour is the sole source of exchange-value and the only active creator of use-value. This is what you say. On the other hand, you say that *capital* is everything, and the worker is nothing or a mere production cost of capital. You have refuted yourselves. Capital is *nothing* but defrauding of the worker. *Labour* is *everything*.

This, in fact, is the ultimate meaning of all the writings which defend the interests of the proletariat from the Ricardian standpoint basing themselves on his assumptions. Just as little as he [Ricardo] understands the identity of *capital* and *labour* in his own system, do they *understand* the contradiction they describe. That is

why the most important among them—Hodgskin, for example—accept all the economic pre-conditions of capitalist production as eternal forms and only desire to eliminate capital, which is both the basis and necessary consequence [of these preconditions].

Ravenstone's main idea is as follows:

The development of the productive power of labour creates *capital* or *property*, in other words a surplus product for "idlers", non-workers; and indeed the more the productive power of labour develops, the more it produces this, its parasitical excrescence which sucks it dry. Whether the title to this surplus product, or the power to appropriate the product of other people's labour, accrues to the non-worker because he already possesses wealth, or because he possesses land, landed property, does not affect the case. Both are *capital*, that is, mastery over the product of other people's labour. For Ravenstone property is merely *appropriation* of the products of other people's labour and this is only possible insofar as and in the degree that *productive industry* develops. By productive industry Ravenstone understands industry which produces necessaries. Unproductive industry, the *industry of consumption*, is a consequence of the development of capital, or property. Ravenstone appears ascetic like the author of the pamphlet discussed above.[j] In this respect he himself remains a captive of the notions set forth by the economists. Without *capital*, without *property*, the necessaries of the workers would be produced in abundance, but there would be no luxury industry. Or it can also be said that Ravenstone, like the author of the pamphlet discussed above, understands or at least in fact admits the *historical necessity* of capital; since capital, according to the author of the pamphlet, produces *surplus labour* over and above the labour strictly necessary for the maintenance [of the worker] and at the same time leads to the creation of machinery (what

he calls fixed capital) and gives rise to foreign trade, the world market, in order to utilise the surplus product filched from the workers partly to increase productive power, partly to give this surplus product the most diverse forms of use-value far removed from those required by necessity. Similarly, according to Ravenstone, no conveniences, no machinery, no luxury products would be produced without *capital and property*, neither would the development of the natural sciences have taken place, nor the literary and artistic productions which owe their existence to leisure, nor the urge of the wealthy to receive an equivalent for their "surplus product" from the non-workers. Ravenstone and the pamphleteer do not say this in justification of capital, but simply seize on it as a point of attack because all this is done in *opposition* to [the interest of] the workers and not *for* them. But in fact they thus admit that this is a result of capitalist production, which is therefore a historical form of social development, even though it stands in contradiction to that part of the population which constitutes the basis of that whole development, In this respect they share the narrow-mindedness of the economists (although from a diametrically opposite position) for they confuse the *contradictory form* of this development with its content. The latter wish to perpetuate the contradiction on account of its results. The former are determined to sacrifice the fruits which have developed within the antagonistic form, in order to get rid of the contradiction. This distinguishes their opposition to [bourgeois] political economy from that of contemporary people like Owen; likewise from that of Sismondi, who harks back to antiquated forms of the contradiction in order to be rid of it in its acute form.

[Ravenstone writes:]

It is the "wants" of the poor which "constitute his" (the rich man's) "wealth... When all were equal, none would labour for another. The necessaries of life would be

overabundant whilst its comforts were entirely wanting" (op. cit., p. 10).

> "The industry which produces is the parent of property; that which aids consumption is its child" (loc. cit., p. 12).
>
> "It is this[k] growth of property, this greater ability to maintain idle men, and unproductive industry, that in political economy is called capital" (loc. cit., p. 13).
>
> "As the destination of property is expense, as without that it is wholly useless to its owner, its existence is intimately connected with that ||863| of the industry of consumption" (loc. cit.).
>
> "If each man's *labour were but enough to procure his own food*, there *could be no property*, and no part of a people's industry could be turned away to work for the wants of the imagination" (loc. cit., pp. 14-15).
>
> "In every [subsequent] stage of society, as increased numbers and better contrivances add to each man's power of production, the *number of those who labour is gradually diminished*... Property grows from the improvement of the means of production; its sole business is the encouragement of idleness. When each man's labour is barely sufficient for his own subsistence, as there can be no property, there will be no idle man. When one man's labour can maintain five, there will be four idle men for one employed in production: in no other way can the produce be consumed... the object of society is to magnify the idle at the expense of the industrious, to create power out of plenty" (loc. cit., p. 11).

<With regard to rent he says (not quite correctly, for it is precisely here that it is necessary to explain why rent accrues to the landlord and not to the farmer, the industrial capitalist) what applies to surplus-value in

general, insofar as it develops as a result of the increase in the productivity of labour.

> "In the early stages of society, when men have no artificial assistance to their powers of industry, the proportion of their earnings which can be afforded to rent is exceedingly small: for land [...] has no natural value, it owes all its produce to industry. But every increase of skill adds to the proportion which can be reserved for rent. Where the labour of nine is required for the maintenance of ten, only one-tenth of the gross produce can be given to rent. Where one man's labour is sufficient for the maintenance of five, four—fifths will go to rent, or the other charges of the state, which can only be provided for out of the surplus produce of industry. The first proportion seems to have prevailed in England at the time of the Conquest, the last is that which actually takes place" now since "only one-fifth part of the people are [...] employed in the cultivation of the land"... (op. cit., pp. 45-46).
>
> "... so true it is that society turns every improvement but to the increase of idleness"... (loc. cit., p. 48).>

Note. An original piece of work. Its real subject is the modern system of national debt, as its title indicates.

Amongst other things he says:

> "...the history of the last thirty years[1] [...] has achieved no higher adventure than the turning of a few Jews into gentlemen, and a few blockheads into political economists" (op. cit., pp. 66-67).
>
> The funding system has one beneficial consequence although "the ancient gentry of the land" are robbed "of a large portion of their property" in order "to transfer it to these new fangled hidalgos as a reward for their skill in the arts of fraud and peculation... If it encourage fraud and meanness; if it clothe quackery and pretension in the garb of wisdom;

> if it turn a whole people into a nation of jobbers … if it break down all the prejudices of rank and birth to render money the only distinction among men … it destroys the perpetuity of property…" (op. cit., pp. 51-52).

[See Labour Defended against the Claims of Capital, Hodgskin 1825.]

3. Hodgskin

Labour Defended against the Claims of Capital; or, the Unproductiveness of Capital Proved, By a Labourer, London, 1825. (*With reference to the Present Combinations amongst Journeymen*.)

Thomas Hodgskin, *Popular Political Economy. Four Lectures delivered at the London Mechanics' Institution*, London, 1827.

The anonymous first work is also by Hodgskin. Whereas the pamphlets mentioned previously and a series of similar ones have disappeared without trace, these writings, especially the first one, made a considerable stir and are still regarded as belonging to the most important works of English political economy (see John Lalor, *Money and Morals*, London, 1852). We shall consider each of these works in turn.

[a) The Thesis of the Unproductiveness of Capital as a Necessary Conclusion from Ricardo's Theory]

Labour Defended etc. As the title indicates, the author wishes to prove the "*unproductiveness of capital*".

Ricardo does not assert that capital is *productive of value*. It only adds its own value to the product, and its

own value depends on the labour-time required for its reproduction. It only has value as accumulated labour (or rather ||864|, materialised labour) and it only adds this—its value—to the product in which it is embodied. It is true that he is inconsistent when discussing the general rate of profit. But this is precisely the contradiction which his opponents attacked.

As far as the productivity of capital in relation to *use-value* is concerned, this is construed by Smith, Ricardo and others, and by political economists in general, as meaning nothing else than that products of previous useful work serve anew as means of production, as objects of labour, instruments of labour and means of subsistence for the workers. The objective conditions of labour do not face the worker, as in the primitive stages, as mere natural objects (as such, they are never capital), but as natural objects already transformed by human activity. But in this sense the word "capital" is quite superfluous and meaningless. Wheat is nourishing not because it is capital but because it is wheat. The use-value of wool derives from the fact that it is wool, not capital. In the same way, the action of steam-powered machinery has nothing in common with its existence as capital. It would do the same work if it were not "capital" and if it belonged, not to the factory owner, but to the workers. All these things serve in the real labour process because of the relationship which exists between them as *use-values*—*not* as exchange-values and still less as capital—and the labour which sets them in motion. Their productivity in the real labour process, or rather the productivity of the labour materialised in them, is due to their nature as objective conditions of real labour and not to their *social existence* as *alienated, independent conditions* which *confront the worker* and are embodied in the capitalist, the *master* over living labour. It is as *wealth*, as *Hopkins* (not our Hodgskin) rightly says, and not as "*net*" wealth, as product and not as "net"

product, that they are here consumed and used. It is true that the particular social form of these things in relation to labour and their real determinateness as factors of the labour process are as confused and inseparably interwoven with one another in the minds of the economists as they are in the mind of the capitalist. Nevertheless, as soon as they analyse the labour process, they are compelled to abandon the term capital completely and to speak of *material of labour, means of labour, and means of subsistence*. But the determinate form of the product as material, instrument and means of subsistence of the worker expresses nothing but the relationship of these *objective* conditions to labour; labour itself appears as the activity which dominates them. It says however nothing at all about [the relationship of] labour and capital, only about the relationship of the purposeful activity of men to their own products in the process of reproduction. They neither cease to be products of labour nor mere objects which are at the disposal of labour. They merely express the relationship in which labour appropriates the objective world which it has created itself, at any rate in this form; but they do not by any means express *any other domination of these things over labour*, apart from the fact that activity must be appropriate to the material, otherwise it would not be purposeful activity, labour.

One can only speak of the *productivity* of capital if one regards it as the embodiment of definite social relations of production. But if it is conceived in this way, then the historically transitory character of this relationship becomes at once evident, and the general recognition of this fact is incompatible with the continued existence of this relationship, which itself creates the means for its abolition.

But the economists do not regard it [capital] as such a relationship because they cannot admit its *relative* character, and do not understand it

either. They simply express in theoretical terms the notions of the practical men who are engrossed in capitalist production, dominated by it and interested in it.

In his polemic [with the bourgeois economists], Hodgskin himself starts out from a standpoint which is economically narrow-minded. Insofar as they [the economists] define capital as an eternal production relation, they reduce it to the general relations of labour to its material conditions, relations which are common to all modes of production and do not express the specific nature of capital. Insofar as they hold that capital produces "value", the best of them and [especially] Ricardo, admit that it does not produce any value which it has not received and constantly continues to receive from labour, since the value of a product is determined by the labour-time necessary to reproduce it, that is, its value is the result of living, present labour and not of past labour. And as Ricardo emphasises, increase in the productivity of labour is marked by the continuous devaluation of the products of past labour. On the other hand, the economists continually mix up the definite, specific form in which these things constitute capital with their nature as things and as simple elements of every labour process. The mystification contained in capital—as *employer of labour—is* not explained by them, but it is constantly expressed by them unconsciously, for it is inseparable from the material aspect of capital.

||867| The first pamphlet[m] draws the correct conclusions from Ricardo and reduces surplus-value to *surplus labour*. This is in contrast to Ricardo's opponents and followers who continue to adhere to his confusion of surplus-value with profit.

In opposition to them, the second pamphlet[n] defines relative surplus-value more exactly as being dependent on the level of development of the productive power of labour. Ricardo says the same thing, but he avoids the

conclusion drawn by the second pamphlet [that by Ravenstone], namely, that the increase in the productive power of labour only increases capital, the wealth of others which dominates labour.

Finally, the third pamphlet[o] bursts forth with the general statement, which is the inevitable consequence of Ricardo's presentation—that *capital is unproductive*. This is in contrast to Torrens, Malthus and others, who, taking one aspect of the Ricardian theory as their point of departure, turn Ricardo's statement that labour is the creator of value into the opposite—that capital is the creator of value. The pamphlet, moreover, disputes the statement—which recurs in all of them, from Smith to Malthus, especially in the latter where it is elevated into an absolute dogma (ditto in the case of James Mill)—that labour is absolutely dependent on the *amount of capital available*, as this is the condition of its existence.

Pamphlet No. 1 ends with the statement:

> "Wealth is disposable time, and nothing more".[p]

[b) Polemic against the Ricardian Definition of Capital as Accumulated Labour. The Concept of Coexisting Labour. Underestimation of the Importance of Materialised Past Labour. Available Wealth in Relation to the Movement of Production]

According to Hodgskin, circulating capital is nothing but the *juxtaposition* of the different kinds of social labour (coexisting labour) and accumulation is nothing but the amassing of the productive powers of social labour, so that the accumulation of the skill and knowledge (scientific power) of the workers themselves is the chief form of accumulation, and infinitely

more important than the accumulation—which goes hand in hand with it and merely represents it—of the *existing objective* conditions of this accumulated activity. These objective conditions are only nominally accumulated and must be constantly produced anew and consumed anew.

> "... productive capital and skilled labour are [...] one." "Capital and a labouring population are precisely synonymous" ([Hodgskin, *Labour Defended against the Claims of Capital*, London, 1825,] p. 33).

These are simply further elaborations of Galiani's thesis:

> "... The real wealth ... is man" (*Della Moneta*, Custodi. Parte Moderna, t. III, p. 229).

The whole objective world, the "world of commodities", vanishes here as a mere aspect, as the merely passing activity, constantly performed anew, of socially producing men. Compare this "idealism" with the crude, material fetishism into which the Ricardian theory develops in the writings "of this incredible cobbler", McCulloch, where not only the difference between man and animal disappears but even the difference between a living organism and an inanimate object. And then let them say that as against the lofty idealism of bourgeois political economy, the proletarian opposition has been preaching a crude materialism directed exclusively towards the satisfaction of coarse appetites.

In his investigations into the productivity of capital, Hodgskin is remiss in that he does not distinguish between how far it is a question of producing use-values or exchange-values.

Further—but this has historical justification—he takes capital as it is defined by the economists. On the one hand (insofar as it operates in the real process of

production) as a merely physical condition of labour, and therefore of importance only as a material element of labour, and (in the process of the production of value) nothing more than the quantity of labour measured by time, that is, nothing different from this quantity of labour itself. On the other hand, although in fact, insofar as it appears in the real process of production, it is a mere *name for, and re-christening of*, labour itself, it is represented as the power dominating and engendering labour, as the basis of the productivity of labour and as wealth alien to labour. And this without any intermediate links. This is how he found it. And he counterposes the real aspect of economic development to this bourgeois humbug.

> "...capital is a sort of *cabalistic word*, like church or state, or any other of those *general terms* which are invented by those who fleece the rest of mankind to conceal the hand that shears them" (*Labour Defended etc.*, p.17).

In accordance with the tradition he found prevailing among the economists, he distinguishes between circulating and fixed capital; circulating capital moreover is described as that part which mainly consists of, or is used as, means of subsistence for the workers.

It is maintained "that *division of labour* is a consequence of *previous accumulation* of *capital*". But "the effects attributed to a *stock of commodities*, under *the name of circulating capital*, are caused by *coexisting labour*"(op. cit., pp. 8, 9).

Faced with the crude conception of the economists, it is quite correct to say that "circulating capital" is only "the name" for "a stock of" certain "commodities". Since the economists have not analysed the specific social relationship which is represented in the *metamorphosis of commodities*, they can understand *only* the material aspect of circulating capital. All the differentiations in

capital arising from the circulation process ||868|—in fact the circulation process itself—are actually nothing but the metamorphosis of commodities (determined by their relationship to wage-labour as capital) as an aspect of the reproduction process.

Division of labour is, in one sense, nothing but *coexisting labour*, that is, the coexistence of *different* kinds of labour which are represented in *different kinds* of products or rather commodities. The *division of labour* in the capitalist sense, as the breaking down of the particular labour which produces a definite commodity into a series of simple and coordinated operations divided up amongst different workers, presupposes the division of labour within society outside the workshop, as *separation of occupations*. On the other hand, it [division of labour] increases it [separation of occupations]. The product is increasingly produced as a commodity in the strict sense of the word, its exchange-value becomes the more independent of its immediate existence as use-value—in other words its production becomes more and more independent of its consumption by the producers and of its existence as use-value for the producers—the more one-sided it itself becomes, and the greater the variety of commodities for which it is exchanged, the greater the kinds of use-values in which its exchange-value is expressed, and the larger the market for it becomes. The more this happens, the more the product can be produced as a commodity; therefore also on an increasingly *large scale*. The producer's indifference to the use-value of his product is expressed *quantitatively* in the amounts in which he produces it, which bear no relation to his own consumption needs, even when he is at the same time a consumer of his own product. The *division of labour* within the workshop is one of the methods used in this *mass production* and consequently in the production of the product [as a commodity]. Thus the division of

labour within the workshop is based on the division of occupations in society.

The size of the market has two aspects. First, the mass of consumers, their numbers. But secondly, also, the number of occupations which are independent of one another. The latter is possible without the former. For example, when spinning and weaving become divorced from "domestic" industry and agriculture, all those engaged in agriculture become a market for spinners and weavers. They likewise [form markets] for one another as a consequence of the separation of their occupations. What the division of labour in society presupposes above all, is that the different kinds of labour have become independent of one another in such a way that their products confront one another as commodities and must be exchanged, that is, undergo the metamorphosis of commodities and stand in relation to one another as *commodities*. (This is why in the Middle Ages, the towns prohibited the spread of as many professions as possible to the countryside, not merely for the purpose of preventing competition—the only aspect seen by Adam Smith—but in order to create markets for themselves.) On the other hand, the proper development of the division of labour presupposes a certain density of population. The development of the division of labour in the workshop depends even more on this density of population. This latter division is, to a certain extent, a pre-condition for the former and in turn intensifies it still further. It does this by splitting formerly correlated occupations into separate and independent ones, also by differentiating and increasing the indirect preliminary work they require; and as a result of the increase in both production and the population and the freeing of capital and labour it creates new wants and new modes of satisfying them.

Therefore when Hodgskin says "division of labour" is the effect not of *a stock of Commodities* called circulating

capital but of "*coexisting labour*", it would be tautologous if in this context he understood by division of labour the separation of trades. It would only mean that division of labour is the cause or the effect of the division of labour. He can therefore only mean that division of labour within the workshop depends on the separation of occupations, the social division of labour, and is, in a certain sense, its effect.

It is not a stock of commodities which gives rise to this separation of occupations and with it the division of labour in the workshop, but it is the *separation of occupations* (and division of labour) that is manifested in the stock of commodities, or rather in the fact that a *stock of products* becomes a *stock of commodities*. (The properties, the characteristic features of the *capitalist mode of production* and therefore of capital itself insofar as it expresses a definite relation of the producers to one another and to their products, are inevitably always described by the economists as the properties of the objects.)

||869| If, however, "previous accumulation of capital" is being discussed from an economic standpoint (see Turgot, Smith, etc.) as a condition for the division of labour, then what is understood by this is the previous concentration of a *stock of commodities* as *capital* in the possession of the buyer of labour, since the kind of co-operation characteristic of the division of labour presupposes a *conglomeration of* workers—consequently, accumulation of the means of subsistence necessary for them while they are working—increased productivity of labour—consequently, increase in the amount of raw materials, tools and auxiliary materials which must be available in order that labour proceeds continuously, since it constantly requires large amounts of these things—in short, of the objective conditions of production on a large scale.

Here, *accumulation of capital* cannot mean increase in the amount of means of subsistence, raw materials and instruments of labour as a *condition for the division of labour*, for insofar as the accumulation of capital is taken to mean this, it is a consequence of the division of labour, not its pre-condition.

Similarly, *accumulation of capital* cannot here mean that means of subsistence for the workers must be available in general before new necessaries are reproduced, or that products of their labour must constitute the raw material and means of labour for the new production which they carry out. For this is the pre-condition of labour in general and was just as true *before the development* of the division of labour as it is after it.

On the one hand: if we consider the material element of *accumulation*, it means nothing more than that the division of labour requires the concentration of means of subsistence and means of labour at particular points, whereas formerly these were scattered and dispersed as long as the workers in individual trades—which could not have been very numerous under these conditions—themselves carried out all the manifold and consecutive operations required for the production of one or more products. Not an increase in *absolute* terms is presupposed, but *concentration*, the gathering together of more at a given point, and of *relatively* more [means of labour] compared with the numbers of workers brought together there. More flax, for example, [is used] by the workers in manufacture (in proportion to their numbers) than the relative amount of flax required in proportion to all the peasants—both men and women—who used to spin flax as a sideline. Hence, *conglomeration* of workers, *concentration* of raw materials, instruments, and means of subsistence.

On the other hand: if we consider the historical foundation on which this process develops, from which

manufacture arises, the industrial mode of production whose characteristic feature is the division of labour, then this concentration can only take place in the form that these workers are assembled together as wage-workers, that is, as workers who must sell their labour-power because their conditions of labour confront them as alien property, as an independent, alien force. This implies that these conditions of labour confront them as *capital;* in other words, these means of subsistence and means of labour (or, what amounts to the same thing, the disposal of them through the intermediary of money) are in the hands of individual owners of money or of commodities, who, as a result, become *capitalists*. The loss of the conditions of labour by the workers is expressed in the fact that these conditions become independent as capital or as things at the disposal of the capitalists.

Thus primitive accumulation, as I have already shown, means nothing but the separation of labour and the worker from the conditions of labour, which confront him as independent forces. The course of history shows that this separation is a factor in social development. Once capital exists, the capitalist mode of production itself evolves in such a way that it maintains and reproduces this separation on a constantly increasing scale until the historical reversal takes place.

It is not the ownership of money which makes the capitalist a capitalist. For money to be transformed into capital, the prerequisites for capitalist production must exist, whose first historical presupposition is that separation. The separation, and therefore the existence of the means of labour as capital, is given in capitalist production; this separation which constantly reproduces itself and expands, is the foundation of production.

Accumulation by means of the reconversion of profit, or surplus product, into capital now becomes a

continuous process as a result of which the increased products of labour which are at the same time its objective conditions, conditions of reproduction, continuously confront labour as *capital*, i.e., as forces—personified in the capitalist—which are alienated from Labour and dominate it. Consequently, it becomes a specific function of the capitalist to accumulate, that is, to reconvert a part of the surplus product into conditions of labour. And the stupid economist concludes from this that if this operation did not proceed in this contradictory, specific way, it could not take place at all. Reproduction on an extended scale is inseparably connected in his mind with *accumulation*, the capitalist form of this reproduction.

||870| Accumulation merely presents as a *continuous process* what in *primitive accumulation* appears as a distinct historical process, as the process of the emergence of capital and as a transition from one mode of production to another.

The economists, caught as they are in the toils of the notions proper to the agents of the capitalist mode of production, advance a double *quid pro quo*, each side of which depends on the other.

On the one hand, they transform capital from a relationship into a thing, a stock of commodities (already forgetting that commodities themselves are *not* things) which, insofar as they serve as conditions of production for new labour, are called capital and, with regard to their mode of reproduction, are called circulating capital.

On the other hand, they transform things into capital, that is, they consider the social relationship which is represented in them and through them as an attribute which belongs to the thing as such as soon as it enters as an element into the labour process or the technological process.

[*On the one hand*,] *the concentration* in the hands of non-workers *of raw materials and of the disposition over the means of subsistence*, i.e., the powers dominating labour, the *preliminary* condition for the division of labour (later on, the division of labour increases not only concentration, but also the amount [available for] concentration by increasing the productivity of labour), in other words the *preliminary accumulation of capital* as the condition for the division of labour therefore means for them the augmentation or concentration (they do not differentiate between the two) of means of subsistence and means of labour.

On the other hand, these necessaries and means of labour would not operate as objective conditions of production if these things did not possess the attribute of being capital, if the product of labour, the condition of labour, did not absorb labour itself; [if] past labour did not absorb living labour, and if these things did not belong to them selves or by proxy to the capitalist instead of to the worker.

As if the division of labour was not just as possible if its conditions belonged to the associated workers (although historically it could not at first appear in this form, but can only achieve it as a result of capitalist production) and were regarded by the latter as their own products and the material elements of their own activity, which they are by their very nature.

Furthermore, because in the capitalist mode of production capital appropriates the surplus product of the worker, consequently, because it *has appropriated* the products of labour and these now confront the worker in the form of capital, it is clear that the conversion of the surplus product into conditions of labour can only be initiated by the capitalist and only in the form that he turns the products of labour—which he has appropriated without any equivalent—into means of

production of new labour performed without receiving an equivalent. Consequently, the extension of reproduction appears as the transformation of profit into capital and as a *saving* by the capitalist who, instead of consuming the surplus product which he has acquired gratis, converts it anew into a means of exploitation, but is able to do this only insofar as he converts the surplus product again into productive capital; this entails the conversion of surplus product into means of labour. As a result, the economists conclude that the surplus product cannot serve as an element of new production if it has not been transformed previously from the product of the worker into the property of his employer in order to serve as capital once again and to repeat the old process of exploitation. The more inferior economists add to this the idea of hoarding and the accumulation of treasure. Even the better ones—Ricardo, for example—transfer the notion of renunciation from the hoarder to the capitalist.

The economists do not conceive capital as a relation. They cannot do so without at the same time conceiving it as a historically transitory, i.e., a relative—not an absolute—form of production. Hodgskin himself does not share this concept. Insofar as it justifies capital it does not justify its justification by the economists, but on the contrary refutes it. Thus Hodgskin is not concerned in all this.

As far as matters stood between him and the economists, the kind of polemic he had to wage seemed to be mapped out beforehand and quite simple. To put it simply, he had to vindicate the one aspect which the economists elaborate "scientifically" against the fetishistic conception they accept without thinking, naïvely and unconsciously from the capitalist way of looking at things.

The utilisation of the products of previous labour, of labour in general, as materials, tools, means of

subsistence, is necessary if the worker wants to use his products for new production. This particular mode of consumption of his products is productive. But what on earth has this kind of utilisation, this mode of consumption of his product, to do with the domination of his product over him, with its existence as capital, with the concentration ||870a| in the hands of individual capitalists of the right to dispose of raw materials and means of subsistence and the exclusion of the workers from ownership of their products? What has it to do with the fact that first of all they have to hand over their product gratis to a third party in order to buy it back again with their own labour and, what is more, they have to give him more labour in exchange than is contained in the product and thus have to create more surplus product for him?

Past labour exists here in two forms. [In one] as *product, use-value*. The process of production requires that the workers consume one portion of this product [as means of subsistence, and use] another portion as raw materials and instruments of labour. This applies also to the technological process and merely demonstrates the relations that have to exist *in industrial production* between the workers and the products of their own labour, their own products, in order to turn them into means of production.

Or, [past labour exists as] *value*. This only shows that the value of their new product represents not only their present, but also their past labour, and that by increasing it they retain the old value, because they increase it.

The claim put forward by the capitalist has nothing to do with this process as such. It is true that he has appropriated the products of labour, of past labour, and that he therefore possesses a means for acquiring new products and living labour. This, however, is precisely the kind of procedure against which protests are made. The

preliminary concentration and accumulation necessary for the "division of labour" must not take the form of *accumulation of capital*. It does not follow that because this [concentration] is necessary, the capitalist must inevitably have the disposal of the conditions of labour of today created by the labour of yesterday. If accumulation of capital is supposed to be nothing but accumulated labour, it by no means implies that accumulation of other people's labour has to take place.

Hodgskin however does not follow this simple path, and at first this seems strange. In his polemic against the productivity of capital, to begin with, against circulating and then even more, against fixed capital, he seems to oppose or to reject the importance of *past labour*, or of its *product* for the reproduction process as a condition of new labour. From this follows the importance of past labour embodied in products for labour as present ἐὐέργεια[q] Why this change?

Since the economists identify past labour with *capital*—past labour being understood in this case not only in the sense of concrete labour embodied in the product, but also in the sense of social labour, materialised labour-time—it is understandable that they, the Pindars of capital, emphasise the *objective* elements of production and overestimate their importance as against the *subjective element*, living, immediate labour. For them, labour only becomes efficacious when it becomes *capital* and confronts itself, the passive element confronting its active counterpart. The producer is therefore controlled by the product, the subject by the object, labour which is being embodied by labour embodied in an object, etc. In all these conceptions, past labour appears not merely as an objective factor of living labour, subsumed by it, but vice versa; not as an element of the power of living labour, but as a power over this labour. The economists ascribe a false importance to the material factors of labour compared with labour itself in

order to have also a *technological* justification for the *specific social form*, i.e., the *capitalist form*, in which the relationship of labour to the conditions of labour is turned upside-down, so that it is not the worker who makes use of the conditions of labour, but the conditions of labour which make use of the worker. *It is for this reason* that Hodgskin asserts on the contrary that this physical factor, that is, the entire material wealth, is quite unimportant compared with the living process of production and that, in fact, this wealth has no value in itself, but only insofar as it is a factor in the living production process. In doing so, he underestimates somewhat the value which the labour of the past has for the labour of the present, but in opposing economic fetishism this is quite all right.

If in capitalist production—hence in political economy, its theoretical expression—past labour were met with only as a pedestal etc. created by labour itself, then such a controversial issue would not have arisen. It only exists because in the real life of capitalist production, as well as in its theory, *materialised labour* appears as a contradiction to itself, to *living labour*. In exactly the same way in religious reasoning, the product of thought not only claims but exercises domination over thought itself. |870a|| .

||865| The proposition

> "... the effects attributed to a *stock of commodities*, under the name of circulating capital, are caused by *coexisting labour*" (op. cit., p. 9),

means first of all:

the simultaneous coexistence of living labour brings about a large part of the effects which are attributed to the product of previous labour called circulating capital.

For example, a part of circulating capital consists of the stock of means of subsistence which the capitalist is supposed to have stored up to support the labourer while working.

The *formation* of a *reserve stock* is by no means a feature peculiar to capitalist production although, since under it production and consumption are greater than ever before, the amount of commodities on the market—the amount of commodities in the sphere of circulation—is likewise greater than ever before. Here memories of hoarding, of *accumulation of treasure by hoarders* are still discernible.

The consumption fund must be disregarded first of all because we are speaking here of capital and of industrial production. What has reached the sphere of individual consumption, whether it is consumed more quickly or more slowly, has ceased to be capital. (Although it can be partly reconverted into capital, for instance, houses, parks, crockery.)

> "Do all the capitalists of Europe possess at this moment one week's food and clothing for all the labourers they employ? Let us first examine the question as to food. One portion of the food of the people is *bread*, which is never prepared till within a few hours of the time when it is eaten... The produce [...] of the baker, cannot be stored up. In no case can the material of bread, whether it exist as corn or flour, be *preserved without continual labour*. [...] His conviction[r] that he will obtain bread when he requires it, and his master's conviction that the money he pays him will enable him to obtain it, arise simply from the fact that the bread has always been obtained when required" (loc. cit., p. 10).

> "Another article of the labourer's food is milk, and milk is manufactured ... twice a day. If it be said that the cattle to supply it are already there;—why the answer is, they

require *constant attention and constant labour, and their food, through the greater part of the year, is of daily growth*. The fields in which they pasture, require the hand of man. [...] The meat, also [...] it cannot be stored up, for it begins instantly to deteriorate after it is brought to market" (loc. cit., p. 10).

Because of moths, even of clothing "... only a *very small stock is ever prepared*, compared to the general consumption" (loc. cit., p. 11).

"Mr. Mill says, and says justly, 'what is annually produced is annually consumed', so that, in fact, *to enable men to carry on all those operations which extend beyond a year*, there cannot be *any stock of commodities stored up*. Those who undertake them must rely, therefore, not on *any commodities already created*, but that other men will labour and produce what they are to subsist on till their own products are completed. Thus, should the labourer admit that some accumulation of circulating capital is necessary for operations terminated within the year [...] it is plain, that in all operations which extend beyond a year, the labourer does not, and he cannot, rely on *accumulated* capital" (loc. cit., p. 12).

"If we duly consider the number and importance of those wealth-producing operations which are not completed within the year, and the numberless products of daily labour, necessary to subsistence, which are consumed as soon as produced, we shall [...] be sensible that *the success and productive power of every different species of labour is at all times more dependent on the coexisting productive labour of other men than on any* accumulation of circulating capital" (loc. cit., p. 13).

"... it is by the *command* the capitalist possesses *over the labour of some men*, not by his possessing a *stock of commodities*, that he is *enabled* to support and consequently employ *other labourers*" (loc. cit., p. 14).

> "... the only thing which can be said to be stored up or previously prepared, is the *skill of the labourer*" (loc. cit., p. 12).
>
> " ...all the effects usually attributed to accumulation of circulating capital are derived from the *accumulation and storing up of skilled labour;* and [...] this most important operation is performed, as far as the great mass of the labourers is concerned without any *circulating capital* whatever" (loc. cit., p. 13).
>
> "... the number of labourers must at all times depend on the *quantity of circulating capital; or*, as I should say, on the quantity of the *products of coexisting labour*, which labourers are allowed to consume..." (op. cit., p. 20).

||866| "Circulating capital [...] is created only for consumption; while fixed capital [...] is made, not to be consumed, but to aid the labourer in producing those things which are to be consumed" (loc. cit., p. 19).

Thus first of all:

> "... the success and productive power of every different species of labour is at all times more dependent on the *coexisting* productive labour of other men than on any accumulation of circulating capital" [op. cit., p. 13], that is, of "commodities already created". These "already created commodities" confront "the products of coexisting labour".

{The part of capital which consists of instruments and materials of labour is as "commodities already created" always a pre-condition in each *particular* branch of production. It is impossible to spin cotton which has not yet been produced, to operate spindles which have yet to be manufactured, or to burn coal which has not yet been brought up from the mine. These always enter the [production] process as forms of existence of *previous labour*. Existing labour thus depends on antecedent

labour and not only on coexisting labour, although this antecedent labour, whether in the form of means of labour or materials of labour, can only be of any use (productive use) when it is in contact with living labour as a material element of it. Only as an element of industrial consumption, i.e., consumption by labour.

But when considering circulation and the reproduction process, we have seen that it is only possible to reproduce the commodity after it is finished and converted into money, because *simultaneously* all its elements have been produced and reproduced by means of coexisting labour.

A twofold progression takes place in production. Cotton, for example, advances from one phase of production to another. It is produced first of all as raw material, then it is subjected to a number of operations until it is fit to be exported or, if it is further worked up in the same country, it is handed over to a spinner. It then goes on from the spinner to the weaver and from the weaver to the bleacher, dyer, finisher, and thence to various workshops where it is worked up for definite uses, i.e., articles of clothing, bed-linen, etc. Finally it leaves the last producer for the consumer and enters into individual consumption if it does not enter into industrial consumption as means (not material) of labour. But whether it is to be consumed industrially or individually, it has acquired its final form as use-value. What emerges from one sphere of production as a product enters another as a condition of production, and in this way, goes through many successive phases until it receives its last finish as use-value. Here previous labour appears continually as the condition for existing labour.

Simultaneously, however, while the product is advancing in this way from one phase to another, while it is undergoing this real metamorphosis, production is

being carried on at every stage. While the weaver spins the yarn, the spinner is simultaneously spinning cotton, and fresh quantities of raw cotton are in the process of production.

Since the continuous, constantly repeated process of production is, at the same time, a process of reproduction, it is therefore equally dependent on the *coexisting labour* which produces the various phases of the product simultaneously, while the product is passing through metamorphosis from one phase to another. [Raw] cotton, yarn, fabric, are not only produced one after the other and from one another, but they are produced and reproduced *simultaneously*, alongside one another. What appears as the effect of antecedent labour, if one considers the production process of the individual commodity, presents itself at the same time as the effect of coexisting labour, if one considers the *reproduction process* of the commodity, that is, if one considers this production process in its continuous motion and in the entirety of its conditions, and not merely an isolated action or a limited part of it. There exists not only a cycle comprising various phases, but all the phases of the commodity are simultaneously produced in the various spheres and branches of production. If the same peasant just plants flax, then spins it, then weaves it, these operations are performed in succession, but not simultaneously as the mode of production based on the division of labour within society presupposes.

No matter what phase of the production process of an individual commodity is considered, the antecedent labour only acquires significance as a result of the living labour which it provides with the necessary conditions of production. On the other hand, however, these conditions of production without which living labour cannot realise itself always appear as the result of antecedent labour. Thus the co-operating labour of the contributing branches of labour always appears as a

passive factor and, as such a passive factor, it is a pre-condition. The economists emphasise this aspect. In production and circulation, on the other hand, the mediating social labour on which the [production] process of the commodity in each particular phase depends and by which it is determined, appears as present, coexisting, contemporaneous labour. The early forms of the commodity and its successive or completed forms are produced simultaneously. Unless this happened it would not be possible, after it has undergone its real metamorphosis, to reconvert it from money into its conditions of existence. ||870b| A commodity is thus the product of antecedent labour only insofar as it is the product of contemporaneous living labour. From the capitalist point of view, therefore, all material wealth appears only as a fleeting aspect of the flow of production as a whole, which includes the process of circulation.}

[c)] So-called Accumulation as a Mere Phenomenon of Circulation. (Stock, etc.—Circulation Reservoirs)

Hodgskin examines only one of the constituent parts of circulating capital. One part of circulating capital is however continuously converted into fixed capital and auxiliary materials and only the other part is converted into articles of consumption. Moreover, even that part of circulating capital which is ultimately transformed into commodities intended for individual consumption always exists, alongside the final form in which it emerges from the finishing phase as end product, simultaneously in the earlier phases of production in its rudimentary forms—as raw material or semi-manufactured goods, removed in various degrees from the final form of the product—in which it cannot as yet enter into consumption.

The problem Hodgskin is concerned with is: what is the relation of the present labour performed by the worker for

the capitalist to the labour embodied in his articles of consumption, the labour contained in those articles on which his wages are spent, which, in actual fact, are the use-values of which variable capital consists? It is admitted that the worker cannot labour without finding these articles ready for consumption. And that is why the economists say that circulating capital—the previous labour, commodities already created which the capitalist has stored up—is the condition for labour and, amongst other things, also the condition for the division of labour.

When the conditions of production, and especially circulating capital in Hodgskin's sense of the term, are being discussed, it is usual to declare that the capitalist must have accumulated the food which the worker has to consume before his new commodity is finished, that is, while he works, while the commodity he produces is only *in statu nascendi*.[s] This is shot through with the notion that the capitalist either gathers things like a hoarder or that *he* stores up a supply of food like the bees their honey.

This however is merely a *modus loquendi*.[t]

First of all, we are not speaking here of the shopkeepers who sell means of subsistence. These must naturally have a full stock in trade. Their stores, shops, etc. are simply reservoirs in which the various commodities are stored once they are ready for circulation. This kind of storing is merely an *interim period* in which the commodity remains until it leaves the sphere of circulation and enters that of consumption. It is its mode of existence as a *commodity* on the market. Strictly speaking, as a commodity it exists only in this form. It does not affect the matter whether, instead of being in the possession of the first seller (the producer), the commodity is in the possession of the third or fourth and finally passes into the possession of the seller who sells it to the real consumer. It merely means that, in the intermediate

stage, exchange of capital (really of capital plus profit, for the producer sells not only the capital in the commodity but also the profit made on the capital) for capital is taking place, and in the last stage exchange of capital for revenue (provided the commodity is intended not for industrial but for individual consumption, as is assumed here).

The commodity which is a finished use-value and marketable, enters the market as a commodity, in the phase of circulation; all commodities enter this phase when they undergo their first metamorphosis, the transformation into money. If this is called "storing up" then it means nothing more than "circulation" or the existence of commodities as commodities. This kind of "storing" is exactly the opposite of treasure-hoarding, the aim of which is to retain commodities permanently in the form in which they are capable of entering into circulation, and it achieves this only by withdrawing commodities in the form of money from circulation. If production, and therefore also consumption, is varied and on a mass scale, then a greater quantity of the most diverse commodities will be found continually at this *stopping place*, at this *intermediate station*, in a word, in circulation or on the market. Regarded from the standpoint of *quantity*, storing on a large scale in this context means nothing more than production and consumption on a large scale.

The *stop* made by the *commodities*, their sojourn at this stage of the process, their presence on the market instead of in the mill or in a private house (as articles of consumption) or in the shop or the store of the shopkeeper, is only ||871| a tiny fraction of time in their life-process. The immobile, independent existence of this world of commodities, of things, is only illusory. The station is always full, but always full of different travellers. The same commodities (commodities of the same kind) are constantly produced anew in the sphere of

production, available on the market and absorbed in consumption. Not the identical commodities, but commodities of the same type, can always be found in these three stages *simultaneously*. If the intermediate stage is prolonged so that the commodities which emerge anew from the sphere of production find the market still occupied by the old ones, then it becomes overcrowded, a stoppage occurs, the market is glutted, the commodities decline in value, there is *over-production*. Where, therefore, the intermediate stage of circulation acquires independent existence so that the flow of the stream is not merely slowed down, where the existence of the commodities in the circulation phase appears as *storing up*, then this is not brought about by a free act on the part of the producer, it is not an aim or an immanent aspect of production, any more than the flow of blood to the head leading to apoplexy is an immanent aspect of the circulation of the blood. Capital as *commodity capital* (and this is the form in which it appears in the circulation phase, on the market) must not become stationary, it must only constitute a pause in the movement. Otherwise the reproduction process is interrupted and the whole mechanism is thrown into confusion. This materialised wealth which is concentrated at a few points is—and can only be—very small in comparison to the continuous stream of production and consumption. Wealth, therefore, according to Smith, is "*the annual*" reproduction. It is not, that is to say, something out of the dim past. It is always something which emerges from yesterday. lf, on the other hand, reproduction were to stagnate due to some disturbances or others, then the stores etc. would soon empty, there would be shortages and it would soon be evident that the permanency which the existing wealth appears to possess, is only the permanency of its being replaced, of its reproduction, that it is a continuous materialisation of social labour.

The movement C—M—C also takes place in the transactions of the shopkeeper. Insofar as he makes a "profit", it is a matter which does not concern us here. He sells goods and buys the same goods (the same type of goods) over again. He sells them to the consumer and buys them again from the producer. Here the same (type of) commodity is converted perpetually into money and money back again continuously into the same commodity. This movement, however, simply represents continuous reproduction, continuous production and consumption, for reproduction includes consumption. (The commodity must be sold, must reach the sphere of consumption in order that it can be reproduced.) It must be accepted as a use-value. (For C—M for the seller is M—C for the buyer, that is, the conversion of money into a commodity as use-value.) The reproduction process, since it is a unity of circulation and production, includes consumption, which is itself an aspect of circulation. Consumption is itself both an aspect and a condition of the reproduction process. If one considers the process in its entirety, the shopkeeper, in fact, pays the producer of the commodities with the same sum of money as the consumer pays him when he buys from him. He represents the consumer in his dealings with the producer and the producer in his dealings with the consumer. He is both seller and buyer of the same commodity. The money with which he pays is, in fact, considered from a purely formal standpoint, the final metamorphosis of the consumer's commodity. The latter transforms his money into the commodity as a use-value. The passing of the money into the shopkeeper's hands thus signifies the consumption of the commodity or, considered formally, the transition of the commodity from circulation into consumption. Insofar as he buys again from the producer with the money, this constitutes the first metamorphosis of the producer's commodity and signifies the transition of the commodity into the *intermediate stage*, where it remains as

a *commodity* in the sphere of circulation. C—M—C, insofar as it concerns the transformation of the commodity into the consumer's money and the transformation back again of the money, whose owner is now the shopkeeper, into the same commodity (a commodity of the same kind), expresses merely the *constant* passing over of commodities into consumption, for the vacuum left by the commodity reaching the sphere of consumption must be filled by the commodity emerging from the production process and now entering this stage.

||872| The *period during which the commodity stays* in circulation and is replaced by new commodities naturally depends also on the length of time in which the commodities remain in the production sphere, that is, on the duration of their reproduction time, and varies in accordance with their different length. For example, the reproduction of corn requires a year. The corn harvested in the autumn, for example, of 1862 (insofar as it is not used again for seed) must suffice for the whole coming year—until autumn 1863. It is thrown all at once into circulation (it is already in circulation when it is placed in the farmers' granaries) and absorbed in the various reservoirs of circulation—storehouses, corn merchants, millers, etc. These reservoirs serve as channels both for the commodities issuing from production and those going to the consumer. As long as the commodities remain in one of them, they are *commodities* and are therefore on the market, in circulation. They are withdrawn only piecemeal, in small quantities, by the annual consumption. The replacement, the stream of new commodities which are to displace them, arrives only in the following *year*. Thus these reservoirs are only depleted gradually, in the measure that their replacements move forward. If there is a surplus and if the new harvest is above the average, then a stoppage takes place. The space which these particular

commodities were to have occupied in the market is overstocked. In order to permit the whole quantity to find a place on the market, the price of the commodities is reduced, and this causes them to move again. If the total quantity of use-values is too large, they accommodate themselves to the space they have to occupy by a reduction of their *prices*. If the quantity is too small, it is expanded by an increase of their *prices*.

On the other hand, commodities which quickly deteriorate as use-values remain only for a very short time in the reservoirs of circulation. The period of time during which they have to be converted into money and reproduced, is prescribed by the nature of their use-value which, if it is not consumed daily or almost daily, is spoilt and consequently ceases to be a commodity. For exchange-value along with its basis, use-value, disappears provided the disappearance of use-value is not *itself* an act of production.

In general, it is clear that although in *absolute terms* the *quantity* of the commodities which have been stored up in the reservoirs of circulation increases as a result of the development of industry, because production and consumption increase, this same quantity represents a decrease in comparison with the total annual production and consumption. The *transition* of commodities from circulation to consumption takes place more rapidly. And for the following reasons. The speed of reproduction increases:

1) When the commodity passes rapidly through its various production phases, that is, when each production phase of the production process is reduced in length; this is due to the fact that the labour-time necessary to produce the commodity in each one of its forms is reduced, this is a result, therefore, of the development of the division of labour, use of machinery, application of chemical processes, etc. <The development of chemistry

makes it possible to speed up the transition of commodities from one state of aggregation to another, their combination with other material which, for instance, occurs in dyeing, their separation from [other] substances as in bleaching; in short, both [modifications in] the form of the same substance (its state of aggregation) as well as changes to be brought about in the substance, are artificially accelerated quite apart from the fact, that for vegetative and organic reproduction, plants, animals, etc., are supplied with cheaper substances, that is, substances which cost less labour-time.>

2) Partly as a result of the combination of various branches of industry, that is, the establishment of centres of production for particular industrial branches, [partly] through the *development of means of communication*, the commodity proceeds rapidly from one phase to another; in other words, the interim period, the interval during which the commodity remains in the intermediate station between one production phase and another is reduced, that is, the *transition* from one phase of production to another is shortened.

3) This whole development—the shortening both of the various phases of the production process and of the transition from one phase to another—presupposes production on a large scale, mass production and, at the same time, production based on a large amount of constant capital, especially fixed capital; [it requires] therefore a continuous flow of production. But not in the sense in which we have earlier considered the flow, that is, not as the closing of and overlapping of the separate production phases, but in the sense that there are no *deliberate* breaks in production. These occur as long as work is done to order, as in ||873| the handicrafts, and continue even in manufacture properly so-called (insofar as this has not been reshaped by large-scale industry). In modern industry, however, work is carried out on the scale allowed by the capital. This process does not wait

on demand, but is a function of capital. Capital works on the same scale continuously (if one disregards accumulation or expansion) and constantly develops and extends the productive forces. Production is therefore not only *rapid*, so that the commodity quickly acquires the form in which it is suitable for circulation, but it is continuous. Production here appears only as constant reproduction and at the same time it takes place on a mass scale.

Thus if the commodities remain in the circulation reservoirs for a long time—if they accumulate there—then they will soon glut them as a result of the speed with which the waves of production follow one another and the huge amount of goods which they deposit continuously in the reservoirs. It is in this sense that *Corbet*, for example, says the market is *always* overstocked. But the same circumstances which produce this speed and mass scale of reproduction likewise reduce the necessity for the accumulation of commodities in the reservoirs. In part—insofar as it is concerned with *industrial consumption*—this is already implied by the close succession of the production phases which the commodity itself or its ingredients have to undergo. If coal is produced daily on a mass scale and brought to the manufacturer's door by railways, steamships, etc., he does not need to have a stock of coal, or at most only a very small one; or, what amounts to the same thing, if a merchant acts as an intermediary, he only needs to keep a small amount of stock over and above the amount he sells daily and which is daily delivered to him. The same applies to yarn, iron, etc. But apart from *industrial consumption*, in which the stock of commodities (that is, the stock of the ingredients of commodities) must decline in this way, the shopkeeper likewise enjoys the benefits of the speed of communications first of all, and secondly, the certainty of a continuous and rapid renewal and delivery. Although his stock of commodities may grow in size, each element

of it will remain in his reservoir, in a state of transition, for a shorter period of time. In relation to the total amount of commodities which he sells, that is, in relation to the scale of both production and consumption, the stock of commodities which he *accumulates* and *keeps* in store, will be small. It is different in the less developed stages of production where reproduction proceeds slowly—where therefore more commodities must remain in the circulation reservoirs—the means of transport are slow, the communications difficult and, as a consequence, the *renewal of stock* can be interrupted and a great deal of time elapses as a result between the emptying and the refilling of the reservoir—that is, the *renewal* of the stock in hand. The position is then similar to that of products whose reproduction takes place yearly or half-yearly, in short in more or less prolonged periods of time, owing to the nature of their use-values.

<For example, cotton is an illustration of how transport and communications affect the emptying of the reservoir. Since ships continually ply between Liverpool and the United States—speed of communications is one factor, continuity another—all the cotton supply is not shipped at once. It comes on to the market gradually (the producer likewise does not want to flood the market all at once). It lies at the docks in Liverpool, that is, already in a kind of circulation reservoir, but not in such quantities—in relation to the total consumption of the article—as would be required if the ship from America arrived only once or twice a year, after a journey of six months. The cotton manufacturer in Manchester and other places stocks his warehouse roughly in accordance with his immediate consumption needs, since the electric telegraph and the railway make the transfer from Liverpool to Manchester possible at a moment's notice.>

Special filling of the reservoirs—insofar as this is not due to the overstocking of the market, which can happen much more easily in these circumstances than under

archaically slow conditions—occurs only for speculative reasons and merely in exceptional cases because of a real or suspected fall or rise of prices. Regarding this *relative decline* in stock, that is, the commodities which are in circulation, compared with the amount of production and consumption, see *Lalor, The Economist, Corbet* (give the corresponding quotations ||874| after Hodgskin). *Sismondi* wrongly saw something lamentable in all this (his writings to be looked up as well).

(On the other hand, there is indeed a continuous *extension of the market* and in the degree that the *interval of time* decreases in which the commodity remains on the market, its *flow in space* increases, that is, the market expands spatially, and the periphery in relation to the centre, the production sphere of the commodity, is circumscribed by a constantly extending radius.)

The fact that consumption lives from hand to mouth, changes its linen and its coat as rapidly as it does its opinions and does not wear the same coat ten years running, etc. is connected with the speed of reproduction, or is another expression of it. To an increasing extent consumption—even of articles where this is not demanded by the nature of their use-value—takes place almost simultaneously with production and becomes therefore more and more dependent on the present, coexisting labour (since it is, in fact, exchange of coexisting labour). This takes place in the same degree in which past labour becomes an ever more important factor of production, even though this past itself is after all a very recent and only relative one.

(The following example demonstrates how closely the keeping of a stock is linked with deficiencies of production. As long as it is difficult to keep cattle throughout the winter, there is no fresh meat in

winter. As soon as stock-farming is able to overcome this difficulty, the *stock* previously made up of substitutes for fresh meat—pickled or smoked varieties—ceases of itself.)

The product only becomes a commodity where it enters into circulation. The production of goods as commodities, hence circulation, expands enormously as a result of capitalist production for the following reasons:

1. *Production* takes place on a large scale, the *quantity*, the *huge amounts produced*, therefore, do not stand in any kind of quantitative relationship to the producer's needs [of his own product]; in fact it is *pure chance* whether he consumes any, even a small part of his own product. He only consumes his own product on a mass scale where he produces some of the ingredients of his own capital. On the other hand, in the earlier stages [of economic development] only those products which exceed the amount required by the producer himself become commodities or, at any rate, this is mainly the case.

2. The *narrow range* of goods produced [stands] in inverse ratio to the increased variety of needs. This is due to previously combined branches of production becoming increasingly separated and independent—in short, to increasing division of labour within society—a contributing factor is the establishment of new branches of production and the increasing variety of commodities produced. ([To be inserted] at the end, after Hodgskin, also *Wakefield* about this.) This increased variety and differentiation of commodities arises in two ways. The different *phases of one and the same product*, as well as the auxiliary operations (that is, the labour connected with various constituent parts, etc.) are separated and become different branches of production, independent of one another; or various phases *of one product* become *different commodities*. But secondly, owing to labour and capital (or labour and surplus

product) becoming free; on the other hand, to the discovery of new practical applications of the same use-value, either because new needs arise as a result of the modification of No. 1 (for example, the need for more rapid and universal means of transport and communication arising with the application of steam in industry) and therefore new means of satisfying them, or new possibilities of utilising the same use-value are discovered, or new substances or new methods (plastic-galvanisation, for instance) for treating well-known substance in different ways.

All this amounts to the following: *successive phases* or *states* of *one product* are converted into *separate commodities*. *New products* or *new values in use* are created and become commodities.

3. *Transformation of the majority of the population* who formerly consumed a mass of products *in naturalibus*[u] into *wage-workers*.

4. *Transformation of the tenant farmer into an industrial capitalist* <and with it the conversion of rent into money rent and generally of all payments in kind (taxes, etc., rent) into money payments>. In general—industrial exploitation of the land with the result that it is no longer confined to its own muck-heap as previously, but that both its chemical and mechanical conditions of production—even seeds, fertilisers, cattle, etc. are subjected to the process of exchange.

5. *Mobilisation of a mass of previously "inalienable" possessions by conversion into commodities* and the creation of forms of property which only exist in negotiable papers. On the one hand, alienation of landed property (the lack of property of the masses causes them, for example, to regard the dwelling in which they live as a commodity). [On the other hand,] railway shares, in short, all kinds of shares.

[d) Hodgskin's Polemic Against the conception that the Capitalists "store Up" Means of Subsistence for the Workers. His Failure to Understand the Real causes of the Fetishism of Capital]

||875| Back again to Hodgskin now.

It is obvious that by "*storing up*" [means of subsistence] *for* the workers by the capitalists one cannot understand that commodities which are passing from production into consumption are in the circulation reservoirs, in the circulation system, on the market. This would mean that the products circulate for the benefit of the worker and become *commodities* for his sake; and that in general, the production of products as commodities is undertaken for his sake.

The worker shares with every other [commodity owner the need] to transform the commodity he sells—which in actual fact, though not in form, is his labour—at first into money in order to convert the money back again into commodities which he can consume. It is perfectly obvious that [no] division of labour (insofar as it is based on commodity production), [no] wage-labour and, in general, no capitalist production can take place without *commodities*—whether they be means of consumption or means of production—being available on the market; that this kind of production is impossible *without* commodity circulation, without the commodities spending a period of time in the circulation reservoir. For the product is a commodity in the strict sense of the word only within the framework of circulation. It is as true for the worker as for anybody else that he must find his means of subsistence in the form of *commodities*.

The worker, moreover, does not confront the shopkeeper as a worker confronts a capitalist, but as money confronts the commodity, as a buyer faces the seller. There is no relationship of wage-labour to capital here, except of course, where the shopkeeper is dealing with his *own* workers. But even they, insofar as they buy things from him, do not confront him as workers. They confront him as workers only insofar as he buys from them. Let us therefore leave this *circulation agent*.

But as far as the industrial capitalist is concerned, his *stock*, his accumulation, consists of:

[*First*] his fixed capital, i.e., buildings, machinery, etc., which the worker does not consume or, insofar as he does consume them, does so through labour, and thus consumes them industrially *for* the capitalist, and although they are means of labour they are not means of subsistence for him.

Secondly, his raw materials and auxiliary materials, the stock of which, insofar as it does not enter directly into production, declines, as we have seen. This likewise does not consist of means of subsistence for the workers. This *accumulation* by the capitalist for the workers means nothing more than that he does the worker the favour of depriving the latter of his conditions of labour and converting the means of his labour (which are themselves merely the transformed product of his labour) into means for the exploitation of labour. In any case, the worker, while he uses the machines and the raw materials, does not live on them.

Thirdly, the commodities, which he keeps in the storehouse or warehouse before they enter into circulation. These are products of labour, not means of subsistence stored in order to maintain labour during the course of production.

Thus the “accumulation” of means of subsistence by the capitalist for the worker means merely that he must possess enough money in order to pay wages with which the worker withdraws the articles of consumption he needs from the circulation reservoir (and, if we consider the [working] class as a whole, with which he buys back part of his own product). This money, however, is simply the transformed form of the commodity which the worker has sold and handed over. In this sense, the means of subsistence are “stored up” for him in the same way as they are stored up for his capitalist, who likewise buys consumption goods etc. with money (the transformed form of the same commodity). This money may be a mere token of value, it therefore does not have to be a representation “of previous labour” but, in the hands of whoever possesses it, simply expresses the realised price not of past labour (or previously [sold] commodities) but of the contemporaneous labour or commodities which he sells. [Money has] merely a formal existence. Or—since in previous modes of production the worker also had to eat and consume during the course of production irrespective of the period of time required for the production of his product—“storing up” may mean that the worker must first of all transform the product of his labour into the product of the capitalist, into capital, in order to receive back a portion of it in the form of money, in lieu of payment.

||876| What interests Hodgskin about this whole process (with regard to the process as such it is indeed a matter of indifference whether the worker receives the product of contemporaneous or previous labour, just as it does not matter whether he receives the product of his own previous labour or the product of labour performed simultaneously in a different branch) is this:

A great part, [or] the greatest part of the products consumed daily by the worker—which he must consume whether his own product is finished or not—represent by

no means *stored up labour* of bygone time. On the contrary he uses to a large extent products of labour performed the same day or during the same week in which the worker produces his own commodity. For example, bread, meat, beer, milk, newspapers, etc. Hodgskin could also have added that they are partly the products of *future* labour, for the worker who buys an overcoat with what he has saved out of six months' wages buys one which has only been made at the end of the six months, etc. (We have seen that the whole of production presupposes *simultaneous* reproduction of the required constituent parts and products in their different forms as raw materials, semi-manufactured goods, etc. But all fixed capital presupposes *future* labour for its reproduction and for the reproduction of its equivalent, without which it cannot be reproduced.) Hodgskin says that during the course of the year the worker must rely to some degree on previous labour (because of the nature of the production of corn, vegetable raw materials, etc.). <This does not apply to a house, for example. As regards use-values which, by their nature, only wear out slowly, are not consumed at once, but gradually used up, it is not due to any action specially devised for the benefit of the workers that these products of previous labour are available on "the market". The worker also used to have a "dwelling" before the capitalist "piled up" deadly stink-holes for him. (See *Laing* on this.)> (Apart from the enormous mass of day-to-day needs which are of decisive importance especially to the *worker*. Who at best, can only satisfy his everyday needs, we have seen that, in general, *consumption* becomes more and more contemporaneous with *production*, and therefore, if one considers society as a whole, consumption depends more and more on *simultaneous* production, or rather on the products of *simultaneous* production.) But when operations extend over several years, the worker must "depend" on his own production, on the simultaneous and future producers of other commodities.

The worker always has to find his means of subsistence in the form of commodities on the market (the "services" he buys are *ipso facto* only brought into being at the moment they are bought); as far as he is concerned they must therefore be the products of antecedent labour, that is of labour which is antecedent to their existence as products but which is by no means antecedent to his own labour with whose price he buys these products. They can be—and mostly are—contemporaneous products, especially for those who live from hand to mouth.

Taking it all in all the "storing up" of means of subsistence for the workers by the capitalists comes to this.

1) Commodity production presupposes that articles of consumption which one does not produce oneself are available on the market as commodities, or that *in general, commodities* are produced *as commodities*.

2) The majority of the commodities consumed by the worker in the final form in which they confront him as commodities, are in fact products of *simultaneous* labour (they are therefore by no means stored up by the capitalist).

3) In capitalist production, the means of labour and the means of subsistence produced by the worker himself confront him as capital, the one as constant, the other as variable capital; these, the worker's conditions of production, appear as the property of the capitalist; their transfer from the worker to the capitalist and the partial return of the worker's product to the worker, or of the value of his product to the worker, is called the "storing up" of circulating capital for the worker. These means of subsistence which the worker must always consume before his product is finished, become "circulating capital" because he [the worker], instead of *buying* them direct or *paying* for them with the value either of his past

or of his future product ||877|, must first of all receive a *draft* (money) on it; a draft moreover which the capitalist is entitled to issue only thanks to the worker's past, present or future product.

Hodgskin is concerned here with demonstrating the dependence of the worker on the coexisting labour of other workers as against his dependence on previous labour,

1) in order to do away with the phrase about "storing up";

2) because "present labour" confronts capital, whereas the economists always consider previous labour as such to be capital, that is, an *alienated* and independent form of labour which is hostile to labour itself.

To grasp the all-round significance of *contemporaneous labour* as against previous labour is however in itself a very important achievement.

Hodgskin thus arrives at the following:

Capital is either a mere name and pretext or it does not express a thing; the social relation of the labour of one person to the *coexisting labour* of another, and the consequences, the *effects* of this relationship, are ascribed to the things which make up so-called circulating capital. Despite the fact that the commodity exists as money, its realisation in use-values depends on contemporaneous labour. ([The labour performed in] the course of a year is itself contemporaneous [labour].) Only a small portion of the commodities entering into direct consumption are the product of more than one year's labour and when they are—such as cattle etc., they require renewed labour every year. All operations requiring more than a year depend on continuous annual production.

> "... it is by the command the capitalist possesses over the *labour of some men*, not by his possessing a stock of commodities, that he is enabled to *support* and consequently employ *other* labourers" (*Labour Defended etc.*,p.14).

Money however gives everyone "command" over "the labour of some men", over the labour contained in their commodities as well as over the reproduction of this labour, and to that extent therefore over labour itself.

What is really "stored up", not however as a dead mass but as something living, is the *skill* of the worker, the level of development of labour. <It is true, however, that the stage of the development of the productivity of labour which exists at any particular time and serves as the starting-point, comprises not only the skill and capacity of the worker, but likewise the material means which this labour has created and which it daily renews. (Hodgskin does not emphasise this because, in opposing the crude views of the economists, it is important for him to lay the stress on the *subject—so* to speak, on the subjective in the subject—in contrast to the object.)> This is really the primary factor, the point of departure and it is the result of a process of development. *Accumulation* in this context means *assimilation*, continual preservation and at the same time transformation of what has already been handed over and realised. In this way Darwin makes "accumulation" through inheritance the driving principle in the formation of all organic things, of plants and animals; thus the various organisms themselves are formed as a result of "accumulation" and are only "inventions", gradually accumulated inventions of living beings. But this is not the only prerequisite of production. Such a prerequisite in the case of animals and plants is external nature, that is both inorganic nature and their relationship with other animals and plants. Man, who produces in society, likewise faces an already modified nature (and in particular natural factors

which have been transformed into means of his own activity) and definite relations existing between the producers. This accumulation is in part the result of the historical process, in part, as far as the individual worker is concerned, transmission of skill. Hodgskin says that as far as the majority of the workers are concerned, circulating capital plays no part in this accumulation.

He has demonstrated that "the stock of commodities" (means of subsistence) "prepared" is always small in comparison with the total amount of consumption and production. On the other hand, the degree of skill of the existing population is always the pre-condition of production as a whole; it is therefore the principal accumulation of wealth and the most important result of antecedent labour; its form of existence, however, is living labour itself.

> ||878| "...all the effects usually attributed to accumulation of circulating capital are derived from the *accumulation and storing up of skilled labour;* and, [...] this most important operation is performed, as far as the great mass of labourers is concerned without any circulating capital whatever" (op. cit., p. 13).

With regard to the assertion of the economists that the number of workers (and therefore the well-being or poverty of the existing working population) depends on the amount of circulating capital available, Hodgskin comments correctly, as follows:

> "... the number of labourers must at all times depend on the *quantity of circulating capital; or*, as I should say, on the *quantity of the products of coexisting labour*, which labourers are *allowed* to consume" (op. cit., p. 20).

What is attributed to *circulating capital*, to a stock of commodities, is the effect of "coexisting labour".

In other words, Hodgskin says that the effects of a certain social form of labour are ascribed to objects, to the products of labour; the relationship itself is imagined to exist in *material* form. We have already seen that this is a characteristic of labour based on commodity production, on exchange-value, and this *quid pro quo* is revealed in the commodity, in money (Hodgskin does not see this), and to a still higher degree in capital. The effects of things as materialised aspects of the labour process are attributed to them in capital, in their personification, their independence in respect of labour. They would cease to have these effects if they were to cease to confront labour in this *alienated form*. The *capitalist*, as capitalist, is simply the personification of capital, that creation of labour endowed with its own will and personality which stands in opposition to labour. Hodgskin regards this as a pure subjective illusion which conceals the deceit and the interests of the exploiting classes. He does not see that the way of looking at things arises out of the actual relationship itself; the latter is not an expression of the former, but vice versa. In the same way, English socialists say "We need capital, but not the capitalists". But if one eliminates the capitalists, the means of production cease to be *capital*.

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<The "Verbal Observer", Bailey, and others remark that "value", "valeur" express a property of things. In fact the terms originally express nothing but the use-value of things for people, those qualities which make them useful or agreeable etc. to people. It is in the nature of things that "value", "valeur", "Wert" can have no other etymological origin. Use-value expresses the natural relationship between things and men, in fact the existence of things for men. *Exchange-value*, as the result of the social development which created it, was later superimposed on the word value, which was synonymous

with use-value. It [exchange-value] is the *social existence* of things.

> The *Sanskrit*—Wer [means] cover, protect, consequently respect, honour and love, cherish. From these the adjective *Wertas* (excellent, respectable) is derived; *Gothic*, wairths; *Old German, Old Frankish*, wert; *Anglo-Saxon*, weorth, vordh, wurth; *English*, worth, worthy; *Dutch*, waard, waardig; *Alemanic*, werth; *Lithuantan*, wertas (respectable, precious, dear, estimable).
>
> The *Sanskrit*, wertis; *Latin*, virtus; *Gothic*, wairthi; *German*, Werth[v] [Chavée, *Essai d'étymologie philosophique*, Brussels, 1844, p. 176].

The value of a thing is, in fact, its own *virtus*[w], while its exchange-value is quite independent of its material qualities.

> The *Sanskrit* "*Wal* [means] to cover, to fortify; [*Latin*] *vallo*,[x] *valeo*,[y] *vallus*[z]: that which protects and defends, *valor* is the power itself." Hence *valeur, value*. "Compare Wal with the German *walle, walte*[aa] and English *wall, wield*" [op. cit., p. 70].)

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Hodgskin now turns to *fixed capital*. It is productive power which has been produced and, in its development in large-scale industry, it is an instrument which *social* labour has created.

As far as fixed capital is concerned:

> "... all instruments and machines are the produce of labour. [...] As long as they are merely the result of *previous* labour, and are not applied to their respective uses by labourers, they do not repay the expense of making them. [...] most of them diminish in value from being kept. [...] *Fixed capital does*

> *not derive its utility from previous, but present labour;* and does not *bring its owner a profit* because it has been stored up, but because it is a *means of obtaining command over labour*" ([Thomas Hodgskin,] *Labour Defended* etc., pp. 14-15).

Here at last, the nature of capital is understood correctly.

> ||879| "After any instruments have been made, what do *they* effect? Nothing. On the contrary, they begin to rust or decay unless used or applied by labour." "Whether an instrument shall be regarded as productive capital or not, depends entirely on its *being used*, or not, by some productive labourer" (loc. cit., pp. 15-16).
>
> "One easily comprehends why [...] the road-maker should receive some of the benefits, accruing only to the road-user; but I do not comprehend *why all these benefits should go to the road itself*, and be *appropriated* by a set of persons who neither make nor use it, under the name of profit for their capital" (loc. cit., p. 16).
>
> "Its vast utility does[bb] not depend on stored up iron and wood, but on that *practical and living knowledge of the powers of nature* which enables some men to construct it, and others to guide it" (loc. cit., p. 17).
>
> "Without knowledge they" (the machines) "could not be invented, without manual skill and dexterity they could not be made, and without skill and labour they could not be productively used. But there is nothing more than knowledge, skill, and labour requisite, on which the capitalist can found a claim to any share of the produce" (loc. cit., p. 18).
>
> "After he" (man) "has *inherited the knowledge of several generations, and when he lives congregated in great masses*, he is enabled by his mental faculties to complete [...] the work of nature..." (loc. cit., p. 18).

> "... it is not [...] the *quantity* but the *quality* of the fixed capital on which the productive industry of a country depends. [...] fixed capital as a means of nourishing and supporting men, depends for its efficiency, altogether on the skill of the labourers, and consequently the productive industry of a country, as far as fixed capital is concerned, is in *proportion* to the *knowledge and skill of the people*" (loc. cit., pp. 19-20).

[e)] Compound Interest: Fall in the Rate of Profit Based on This

> "A mere glance must satisfy every mind that *simple profit* does not decrease but increase in the progress of society—that is, the same quantity of labour which at any former period produced 100 quarters of wheat, and 100 steam-engines, will now produce somewhat more [...] In fact, also, we find that a much greater number of persons now live in opulence on profit in this country than formerly. It is clear, however, that *no labour, no productive power*, no ingenuity, and no art *can answer the overwhelming demands of compound interest*. But all saving *is made from the revenue*" (that is from simple profit) "*of the capitalist*, so that actually these demands are constantly made, and as constantly the productive power of labour refuses to satisfy them. A sort of balance is, therefore, constantly struck" (loc. cit., p. 23).

For example, if the profit were always accumulated, a capital of 100 at 10 per cent would amount to something like 673, or—since a little more or less makes no difference here—say 700, in 20 years. Thus the capital will have multiplied itself sevenfold over a period of 20 years. According to this yardstick, if only simple interest were paid, it would have to be 30 per cent per annum instead of 10 per cent, that is, three times as much profit, and the more we increase the number of years that elapse, the more the rate of interest or the rate of profit calculated

at simple interest per annum will increase, and this increase is the more rapid, the larger the capital becomes.

In fact, however, capitalist accumulation is nothing but the reconversion of interest into capital (since interest and profit for our purpose, i.e., for the purpose of our calculation, are identical). Thus it is compound interest. First there is a capital of 100; it yields 10 per cent profit (or interest). This is added to the capital which is now 110. This now becomes the capital. The interest on this amount is therefore not simply interest on a capital of 100 but interest on 100 capital plus 10 interest. That is compound interest. Thus, at the end of the second year, we have (100 capital + 10 interest) +10 interest+1 interest=(100 capital+ 10 interest)+11 interest=121. This is the *capital* at the beginning of the third year. In the third year we get (100 capital+10 interest)+11 interest+ $12^{1}/_{10}$ interest, so that at the end of it the capital is $133^{1}/_{10}$

||880| We have:

Capital	Interest	Total
First year 100	10	110
Second year 100 + 10 = 110	10 + 1'*	121
Third year 100 + 20 + 1 = 121	10 + 2' + $^{1}/_{10}$'	$133^{1}/_{10}$
Fourth year 100 + 30 + $3\ ^{1}/_{10}$ = $133^{1}/_{10}$	10 + $3^{31}/_{100}$'	$146^{41}/_{100}$
Fifth year 100 + 40 + $6^{41}/_{100}$ =$146^{41}/_{100}$	10 + $4^{641}/_{1,000}$'	$161^{51}/_{1,000}$

etc.

In the **second** **year** the capital comprises 10 **interest** (simple)

" " **third** " " " " 21 interest

" " **fourth** " " " " $31^{1}/_{10}$ interest

"	"	**fifth**	"	"	"	"	$46^{41}/_{100}$	interest	
"	"	**sixth**	"	"	"	"	$61^{51}/_{1,000}$	"	
"	"	**seventh**	"	"	"	"	$77^{1,561}/_{10,000}$	"	
"	"	**eighth**		"	"	"	"	$94^{87,171}/_{100,000}$	"
[In	the	**ninth**	year	the	capital	comprises	$114^{358,881}/_{1,000,000}$	interest]	

*The sign ‘ indicates interest on interest.

In other words, more than half the capital is made up of interest in the ninth year and the portion of capital consisting of interest thus increases in geometrical progression.

We have seen that over 20 years, capital increased sevenfold, whereas, even according to the “most extreme” assumption of Malthus, the population can only double itself every twenty-five years. But let us assume that it doubles itself in twenty years, and therefore the working population as well. Taking one year with another, the interest would have to be 30 per cent—three times greater than it is. If one assumes, however, that the rate of exploitation remained unchanged, in 20 years the doubled population would only be able to produce twice as much labour as it did previously (and [the new generation] would be unfit for work during a considerable part of these 20 years, scarcely during half this period would it be able to work, in spite of the employment of children); it would therefore produce only twice as much surplus labour, but not three times as much.

The rate of profit (and consequently the rate of interest) is determined:

1) If the rate of exploitation is assumed to be constant—by the number of workers in employment, by the absolute

mass of workers employed, that is, by the growth of the population. Although this number increases, its ratio to the total amount of capital employed declines with the accumulation of capital and with industrial development (consequently the rate of profit declines if the rate of exploitation remains the same). Likewise the population does not by any means [increase] in the same geometrical progression as the computed compound interest. The growth of the population at a given stage of industrial development is the explanation for the increase in the amount of surplus-value and of profit, but also for the fall in the rate of profit.

2) [By] the absolute length of the "normal" working-day, that is, by increasing the rate of surplus-value. Thus the rate of profit can increase as a result of the extension of labour-time beyond the normal working-day. However, this has its *physical* and—by and large—its social limits. That in the same measure as workers set more capital in motion, the same capital commands more absolute labour-time ||881| is out of the question.

3) If the normal working-day remains the same, surplus labour can be increased relatively by reducing the necessary labour-time and reducing the prices of the necessaries which the worker consumes, in comparison with the development of the productive power of labour. But this very development of productive power reduces variable capital relative to constant. It is physically impossible that the surplus labour-time of, say, two men who displace twenty, can, by any conceivable increase of the absolute or relative [surplus] labour-time, equal that of the twenty. If each of the twenty men only work 2 hours of surplus labour a day, the total will be 40 hours of surplus labour, whereas the total life span of the two men amounts only to 48 hours in one day.

The value of labour-power does not fall in the same degree as the productivity of labour or of capital

increases. This increase in productive power likewise increases the ratio between constant and variable capital in all branches of industry which do not produce necessaries (either directly or indirectly) without giving rise to any kind of alteration in the value of labour. The development of productive power is not even. It is in the nature of capitalist production that it develops industry more rapidly than agriculture. This is not due to the nature of the land, but to the fact that, in order to be exploited really in accordance with its nature, land requires different social relations. Capitalist production turns towards the land only after its influence has exhausted it and after it has devastated its natural qualities. An additional factor is that, as a consequence of landownership, agricultural products are expensive compared with other commodities, because they are sold at *their* value and are not reduced to their cost-price. They form, however, the principal constituent of the necessaries. Furthermore, if one-tenth of the land is dearer to exploit than the other nine-tenths, these latter are likewise hit "artificially" by this relative barrenness, as a result of the law of competition.

The rate of profit would in fact have to grow if it is to remain constant while accumulation of capital is taking place. *The same worker* as long as capital yields 10 of surplus labour must, as soon as interest accumulates on interest and thus increases the capital employed, produce threefold, fourfold, fivefold in progression of compound interest, which is nonsense.

The *amount of capital* which the worker sets in motion, and whose value is maintained and reproduced by his labour, is something quite different from the *value* which he adds, and therefore from the surplus-value. If the amount of capital is 1,000 and the labour added equals 100, then the capital reproduced amounts to 1,100. If the capital is 100 and the labour added is 20, then the capital reproduced is 120. The rate of profit in the first case is 10

per cent and in the second, it is 20 per cent. Nevertheless, more can be accumulated from 100 than from 20. Thus the flow of capital or its "accumulation" continues (apart from the reduction in its value as a result of the increase in productive power) in proportion to the force it already possesses, but not in proportion to the size of the rate of profit. This explains that accumulation—its amount—may increase in spite of a falling rate of profit, apart from the fact that, while productivity rises, a larger portion of the revenue can be accumulated, even when the rate of profit declines, than when there is a higher rate of profit together with lower productivity. A high rate of profit—insofar as it is based on a high rate of surplus-value—is possible if very long hours are worked, although the labour is unproductive. It is possible because the workers' needs, and *therefore* the minimum wage, are small, although the labour is unproductive. The lack of energy with which the labour is performed will correspond to the low level of the minimum wage. Capital is accumulated slowly in both cases despite the high rate of profit. The population is stagnant and the labour-time which the product costs is high, although the wages received by the workers are small.

||882| I have explained the decline in the rate of profit in spite of the fact that the rate of surplus-value remains the same or even rises, by the decrease of the variable capital in relation to the constant, that is, of the living, present labour in relation to the past labour which is employed and reproduced. Hodgskin and the man who wrote *The Source and Remedy of the National Difficulties* explain it by the fact that it is impossible for the worker to fulfil the demands of capital which accumulates like *compound interest*.

> "... no labour, no productive power, no ingenuity, and no art can answer the overwhelming demands of compound interest. But all saving is made from the revenue of the capitalist" (that is from simple

> profit) "so that actually these demands are constantly made, and as constantly the productive power of labour refuses to satisfy them. A sort of balance is, therefore, constantly struck" (op. cit., p. 23).

In its general sense, this amounts to the same thing. If I say that, as capital accumulates, the rate of profit declines because constant capital increases in relation to variable capital, it means that, disregarding the specific form of the different portions of capital, the capital employed increases in relation to the labour employed. [The rate of] profit falls not because the worker is exploited less, but because altogether less labour is employed in relation to the capital employed.

For example, let us assume that the ratio of variable to constant capital is 1:1. Then, if the total capital amounts to 1,000, *c* [constant capital] will be 500, and *v* [variable capital] likewise 500. If the rate of surplus-value is 50 per cent, then 50 per cent of 500 is 50×5, or 250. Thus the rate of profit on 1,000 yields a profit of 250, or $^{250}/_{1,000}$ or $^{25}/_{100}$ or $^{1}/_{4}$ which is 25 per cent. If the total capital is 1,000 and if *c* equals 750 and *v* 250, then at 50 per cent [the rate of surplus-value] 250 will yield 125.

But $^{125}/_{1,000}$ comes to $^{1}/_{8}$, or $12^{1}/_{2}$ per cent.

But in comparison with the first case [less] living labour is employed in the second case. If we assume that the annual wage of the worker is £25, then in the first case £500 [wages] will employ 20 workers; in the second case £250 wages will employ 10 workers. The same capital [£1,000] employs 20 workers in one case and only 10 in the other. In the first case, the ratio of total capital to the number of working-days is as 1,000:20; in the second as 1,000:10. In the first case, for each of the 20 workers £50 capital (constant and variable) is used (for 20×50=500×2=1,000). In the second case, the capital employed per individual worker is £100 (for

100×10=1,000). Nevertheless, in both cases, the capital which is allocated to wages is, pro rata, the same.

The formula I have given provides a new ground for explaining why, with accumulation, less workers are employed by the same amount of capital or, what amounts to the same thing, why a greater amount of capital has to be used for *the same amount* of labour. It comes to the same thing if I say that one worker is employed for a capital outlay of 50 in the one case, and one worker for a capital outlay of 100 in the other, that therefore only half the number of workers is employed by a capital of 50; in other words, if I say that in one case there is one worker for 50 capital and only half a worker for 50 capital in the other, or if I say that in one case 50 capital is used by one worker and in the other case 50x2 capital is used by one worker.

This latter formula is the one used by Hodgskin and others. According to them, accumulation means in general the demand for compound interest; in other words, that more capital is expended on *one* worker and that he has therefore to produce more surplus labour proportionally to the amount of capital expended on him. Since the capital expended on him increases at the same rate as compound interest, but on the other hand, his labour-time has very definite limits which even relatively no [development of the] productive powers can reduce in accordance with the demands of this compound interest "a sort of balance is constantly struck". "Simple profit" remains the same, or rather it grows. (This is in fact the surplus labour or surplus-value.) But as the result of the accumulation of capital it is compound interest which is disguised in the form of simple interest.

||883| It is clear furthermore that if compound interest equals accumulation, then, apart from the absolute limits of accumulation, the growth of this interest depends on the extent, the intensity, etc., of the accumulation process

itself, that is, on the *mode of production*. Otherwise compound interest is nothing but appropriation of the *Capital* (property) of *others* in the form of interest as was the case in Rome and in general with usurers.

Hodgskin's view is as follows: Originally £50 capital, for example, falls to the share of one worker, on which he produces, let us say, a profit of [£]25. Later, as a result of the conversion of a part of the interest into capital and of the fact that this process repeats itself again and again, a capital of £200 is allocated to the worker. If the entire interest of 50 per cent received per annum was always capitalised, the process would be complete in less than four years. Just as the worker produced [a profit of] 25 on [a capital of] 50, he is now expected to produce [a profit of] 100 on a capital of 200, or four times as much. But that is impossible. To do that either the worker would have to work four times as long, that is, 48 hours a day if he worked 12 hours previously, or the value of labour would have to fall by 75 per cent as a result of increased productivity of labour.

If the working-day is 12 hours, £25 the [annual] wage, and the worker produces £25 profit [per annum], then he has to work as much for the capitalist as he does for himself. That is for 6 hours or half the working-day. In order to produce 100, he would have to work 4×6 hours for the capitalist in a 12-hour working-day—which is nonsense. Let us assume that the working-day is lengthened to 15 hours, then the worker still cannot produce 24 hours work in 15 hours. And still less can he work for 30 hours, which is what would be necessary, since [he would have to work] 24 hours for the capitalist and 6 for himself. If he worked the whole of his working-time for the capitalist, he would be able to produce only £50; he would only double the amount of interest, that is, he would produce 50 profit on a capital of 200, whereas he produced £25 for £50 capital. The rate of profit is 50 per cent in the second case and 25 per cent in the

first. But even this is impossible, since the worker must live. No matter how much productive power increases, if, as in the above example, the value of 12 hours is 75, then that of 24 hours adds up to 2×75, or 150. And since the worker must live, he can never produce 150 profit, still less 200. His surplus labour is always a *part* of his working-day, from which it does not at all follow, as Mr. Rodbertus thinks, that profit can never reach 100 per cent. It can never be 100 per cent if it is calculated on the working-day as a whole (for it is *itself* included in it). But it can most certainly be 100 per cent in relation to that part of the working-day which is paid for.

Let us take the above example of 50 per cent.

Capital		Surplus-value	Rate of surplus-value	Rate of Profit
constant	variable			
25	25	25	100 per cent	50 percent

Here the profit, half a working-day, is equal whole [product].

||884| If the worker worked three-quarters day for the capitalist then:

Capital		Surplus-value	Rate of surplus-value	Rate of Profit
constant	variable			
25	$12^1/_2$	$37^1/_2$	300 per cent	100 percent

Total capital $37^1/_2$

[calculated on a capital] of 100

Capital		Surplus-value	Rate of surplus-value	Rate of Profit

constant	variable			
66 2/3	33 1/3	100	300 per cent	100 percent

Total capital 100

Let us examine this a little more closely and see what is implied by the view that [the rate of] *profit falls* because, in consequence of progressive accumulation, it does not constitute *simple profit* (consequently the rate of exploitation of the worker does not decline but, as Hodgskin says, increases) but *compound profit* and it is impossible for labour to keep pace with the demands of compound interest.

It has to be noted first of all that this has to be defined in more detail if it is to make any sense at all. Regarded as a product of accumulation (that is, of the appropriation of surplus labour)—and this approach is necessary if one considers reproduction as a whole—all capital is made up of profit (or of interest, if this word is considered to be synonymous with profit and not with interest in the strict sense). If the rate of profit is 10 per cent, then this is "compound interest", compound profit. And it would be impossible to see how 10 to 100 could—in economic terms—differ from 11 to 110. So what emerges is that "simple profit" too is impossible, or at least that simple profit must also decline, because, in fact, simple profit is made up in exactly the same way as compound profit. If one narrows the problem, that is, considers solely interest-bearing capital, then compound interest would swallow up profit and more than profit; and the fact that the producer (capitalist or not) has to pay the lender compound interest means that sooner or later, in addition to profit he has to pay him part of his capital as well.

Thus it should be noted first of all that Hodgskin's view only has meaning if it is assumed that capital grows more rapidly than population, that is, than the working

population. (Even this latter is a relative growth. It is in the nature of capitalism to overwork one section of the working population while it turns another into paupers.) If the population grows at the same rate as capital, then there is no reason whatsoever why I should not be able to extract from 8*x* workers with £800 the [same rate of] surplus labour that I can extract from *x* workers with £100. ||885| Eight times 100 *C* makes no greater demand on 8 times *x* workers than 100 *C* on *x* workers. Thus "Hodgskin's" *argument* becomes groundless. (In reality, things turn out differently. Even if the population grows at the same rate as capital, capitalist development nevertheless results in one part of the population being made redundant, because constant capital develops at the expense of variable capital.)

> <"...it is very material, with reference to *labour*, whether you distribute them" (*goods*) "so as to induce a *greater supply of labour* or a less: whether you distribute them where they will be conditions for labour, or where they will be opportunities for idleness" (*An Inquiry into those Principles, respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus* etc., London, 1821, p. 57).
>
> "... that increased supply of labour is promoted by the increased *numbers of mankind*..."(loc. cit., p. 58).
>
> "The not being able to *command so much labour* as before, too, is only important where that[cc] labour would produce no more than before. If labour has been rendered more productive, production will not be checked, though the *existing mass of commodities should command less labour than before*"(loc. cit., p. 60).

(This is directed against Malthus. True, production would not be checked, but the rate of profit would. These

cynical propositions stating that a "mass of commodities *commands* labour", reflect the same cynicism which finds expression in Malthus's explanation of value[dd]; *command of the commodity over labour* is very good and is absolutely characteristic of the nature of capital.)

The same author makes the following correct observation directed against West:

> "The author of the *Essay* [...] observes[ee] [...] that more will be given for labour when there is most increase of stock, and *that* [...] will be when profits on stock are highest. 'The greater the profits of stock', he adds, 'the higher will be the wages of labour.' The fault of this is, that a word or two is left out. 'The greater *have been* the profits of stock' ... 'the higher *will be* the wages of labour'... The high profits and the high wages are not *simultaneous;* they do not occur in the same *bargain;* the one counteracts the other, and reduces it to a level. It might as well be argued, 'the supply of a commodity is most rapid when the price is highest, therefore, large supply and high price go together'. It is a mixing up of cause and effect" (op. cit., pp. 100-01).>

Hodgskin's proposition, therefore, has meaning only if, as a result of the process of accumulation, *more capital* is set in motion by the same workers, or if the capital grows in relation to labour. That is, if, for example, the capital was 100 and becomes 110 by accumulation, and if the same worker who produced a surplus-value of 10, is to produce a surplus-value of 11, corresponding to the growth of capital, i.e., compound interest. So that it is not simply the same capital he set in motion previously which, after its reproduction, is to yield the same profit (simple profit) but this capital has been increased by his surplus labour [so that] he has to provide surplus labour for the original capital (or its value) and also for his own accumulated (i.e. capitalised) surplus labour. And since

this capital increases every year, the same worker would constantly have to furnish more labour.

It is however only [under the following conditions] possible for more capital to be applied per worker:

First. If the productive power of labour remains the same, then this is only possible if the worker prolongs his working-time absolutely, i.e., for example, if he works 15 hours instead of 12 hours, or if he works more intensively and performs 15 hours' labour in 12 hours, does 5 hours' labour in 4 hours or 1 hour's labour in $^4/_5$ of an hour. Since he reproduces his means of subsistence in a definite number of hours, then, in this case, three hours of labour are won for the capitalist in the same way as if the productive power of labour had been increased, while, in fact, it is labour which has been increased, not its productive power. If the intensification of labour were to become general, then the value of commodities would fall in proportion to the reduced labour-time which they cost. The degree of intensity would become the average [intensity of labour], its natural quality. If, however ||886| , this only occurs in particular spheres, then it amounts to more complex labour, simple labour raised to a higher power. Less than an hour of more intensive labour then counts as much—and creates as much value—[as an hour of] the more extensive labour. For example, in the above case, $^4/_5$ of an hour [produces] as much as $^5/_5$, or an hour.

Both the extension of labour-time and the increase of labour through its greater intensification by means of the compression of the pores of Labour as it were, have their limits (although the London bakers, for example, regularly work 17 hours [a day] if not more), very definite, physical, limitations, and it is when encountering these that compound interest—composite profit—ceases.

Within these limitations the following applies:

If the capitalist pays nothing for the extension or intensification of labour, then his *surplus-value* (his profit as well, provided there is no change in the *value* of the constant capital, for we assume that the mode of production remains the same)—and, in accordance with the proviso, his profit—increases more rapidly than his capital. He pays no necessary labour for the capital which has been added.

If he pays for the surplus labour at the same rate as previously, then the growth of the surplus-value is proportionate to the increase in capital. The profit grows more rapidly. For there is a more rapid turnover of fixed capital, while the more intensive use of the machinery does not cause the wear and tear to increase at the same rate. There is a reduction of expenditure on fixed capital, for less machinery, workshops etc. are required for 100 workers who work longer hours than for 200 workers employed simultaneously. Likewise fewer overseers, etc. (This gives rise to a most satisfactory situation for the capitalist, who is able to expand or contract his production without hindrance, in accordance with the market conditions. In addition, his power grows, since that portion of labour which is over-employed, has its counterpart in an unemployed or semi-employed reserve army, so that competition amongst the workers increases.)

Although there is in this case no change in the purely numerical ratio between necessary labour and surplus labour—this is however the only case where both can simultaneously increase in the same proportion—the exploitation of labour has nevertheless grown, both by means of an extension of the working-day and by its intensification (condensation) provided the working-day is not shortened at the same time (as with the 10 Hours Bill). The period for which the worker is fit to work is reduced and his labour-power is exhausted in a much greater measure than his wages increase and he becomes

even more of a work machine. But disregarding the latter aspect, if he lives for 20 years working a normal working-day and only 15 years when his working-day is extended and intensified, then he sells the value of his labour-power in 15 years in the latter case and in 20 years in the former. In one case it has to be replaced in 15 years, in the other, in 20 years.

A value of 100 which lasts for 20 years is replaced if 5 per cent is paid on it annually, for 5×20=100. A value of 100 which lasts 15 years is replaced if $6^{10}/_{15}$ or $6^{2}/_{3}$ per cent is paid on it annually. But in the given case, the worker receives for 3 hours of additional labour only an amount equivalent to the daily value of his labour calculated over 20 years. Assuming that he works 8 hours necessary labour and 4 hours surplus labour, then he receives two-thirds of each hour for $^{12\times2}/_{3}$=8 And in the same way he receives 2 out of the 3 hours over-time that he works. Or two-thirds of each hour. But this is only the value of his hourly labour-power on the assumption that it will last for 20 years. If he uses it up in 15 years, its value [per hour] increases.

Anticipation of the future—real anticipation—occurs in the production of wealth only in relation to the worker and to the land. The future can indeed be anticipated and ruined in both cases by premature over-exertion and exhaustion, and by the disturbance of the balance between expenditure and income. In capitalist production this happens to both the worker and the land. As far as so-called anticipation is concerned, in relation to the national debt for example, Ravenstone remarks with justice:

||887| "In pretending to stave off the expenses of the present hour to a future day, in contending that you can burthen posterity to supply the wants of the existing generation, they in reality assert the monstrous proposition[ff] that you can consume what does not yet

exist, that you can feed on provisions before their seeds have been sown in the earth" (Piercy Ravenstone, [*Thoughts on the Funding System, and Its Effects*, London, 1824], p. 8.)

> "All the wisdom of our statesmen will have ended in a great transfer of property from one class of persons to another, in creating an enormous fund for the reward of jobs and peculation" (loc. cit., p. 9).

It is different in the case of the worker and the land. What is expended here exists as δίναμις[gg] and the life span of this δίναμις is shortened as a result of accelerated expenditure.

Finally, if the capitalist is forced to pay more for over-time than for normal working-time, then, according to the facts outlined above, this is by no means an increase in wages, but only compensation for the increased value of over-time—and in reality over-time pay is rarely sufficient to cover this. In fact, in order to pay for the increased wear and tear of the labour-power, when over-time is worked, a higher rate ought to be paid for every working hour not merely for the additional hours.

Thus there is in any case an increased exploitation of labour. At the same time, as a result of the accumulation of capital, a reduction in surplus-value takes place at all events and also a decline in the rate of profit, insofar as this is not counteracted by saving on constant capital. |887||

||887| This is therefore a situation where, in consequence of the accumulation of capital—of the appearance of compound profit—the rate of profit must decline. If on a capital of [£] 300 (the original amount) the rate of profit was 10 per cent (that is profit came to [£] 30), and if for an additional [£] 100 it is 6 per cent, then profit is [£] 36 for [£] 400. Thus on the whole it is 9 for

100. And the rate of profit has fallen from 10 per cent to 9 per cent.

But, as has been stated, on this basis (if the productivity of labour remains the same) not only must the profit on additional capital fall, hut at a certain point it must cease altogether, thus the whole accumulation based on this compound profit would be stopped. In this case, the decline in profit is linked with increased exploitation of labour and the cessation of profit at a certain point is not due to the worker or someone else receiving the whole product of his labour, hut to the fact that it is physically impossible to work over and above a certain amount of labour-time or to increase the intensity of labour beyond a certain degree.

Secondly. The only other case, where, with the number of workers remaining constant, more capital is applied per worker, and therefore the additional capital can be laid out and used for the increased exploitation of the same number ||888| of workers, *occurs when the productivity of labour increases, i.e. the method of production is changed*. This presupposes a change in the organic ratio between constant and variable capital. In other words, the increase in the capital in relation to labour is here identical with the increase of constant capital as compared with variable capital and, in general, with the amount of living labour employed.

This is where Hodgskin's view merges with the general law which I have outlined.

The surplus-value, i.e. the exploitation of the worker, increases, but, at the same time, the rate of profit falls because the variable capital declines as against the constant capital, because in general, the amount of living labour falls relatively in comparison with the amount of capital which sets it in motion. A larger portion of the annual product of labour is appropriated by the capitalist

under the signboard of capital, and a smaller portion under the signboard of profit.

<Hence the phantasy of the *Rev. Thomas Chalmers* to the effect that the smaller the amount of the annual product laid out by the capitalists as capital, the larger the profit they pocket. The Established Church then comes to their assistance and sees to it that a large part of the surplus product is consumed instead of being capitalised. The miserable priest confuses cause with effect. Moreover, with a smaller rate [of profit] the amount of profit increases as the size of the capital laid out grows. In addition, the quantity of use-value which this smaller proportion represents, increases. At the same time, however, this leads to the centralisation of capital, since the conditions of production now demand the application of capital on a mass scale. It brings about the swallowing up of the smaller capitalists by the bigger ones and the "decapitalisation" of the former. This is once again, only in a different form, the separation of the conditions of labour from labour (for there is still a great deal of self-employment amongst the smaller capitalists; in general the labour done by the capitalist stands in inverse proportion to the size of his capital, that is, to the degree in which he is a capitalist. This process would soon bring capitalist production to a head if it were not for the fact that, alongside the centripetal forces, counteracting tendencies exist, which continuously exert a decentralising influence; this need not be described here, for it belongs to the chapter dealing with the competition of capitals). It is this separation which constitutes the concept of capital and of *primitive* accumulation, which then appears as a continual process in the accumulation of capital and here finally takes the form of the centralisation of already existing capitals in a few hands and of many being divested of capital.>

The fact that the (proportionally) declining quantity of labour is not fully offset by increased productivity, or that the ratio of surplus labour to the capital expended does not increase *at the same* rate as the relative *amount of labour employed* declines, is due partly to the fact that the development of the productive power of labour reduces the value of labour, the necessary labour, only in certain capital investment spheres, and that, even in these spheres, it does not develop uniformly, and that factors exist which nullify this effect; for example, the workers themselves, although they cannot prevent reductions in (real) wages, will not permit them to be reduced to the absolute minimum; on the contrary, they achieve a certain quantitative participation in the general growth of wealth.

But this growth of surplus labour too is relative, [and is only possible] within certain limits. In order to make this growth correspond to the demands of compound interest, the necessary labour-time in this case would have to be reduced to zero in the same way as [the surplus labour-time] had to be extended endlessly in the case considered previously.

The rise and fall in the rate of profit—insofar as it is determined by the rise or fall of wages resulting from the conditions of demand and supply [in the labour market], or caused by the temporary rise or fall in the prices of necessaries compared with those of luxuries, as a result of the changes in demand and supply and the rise or fall in wages to which this leads—has as little to do with the general law of ||889| the rise or fall in the profit rate as the rise or fall in the market prices of commodities has to do with the determination of value in general. This has to be analysed in the chapter on the real movement of wages. If the conditions of demand and supply are favourable to the workers and wages rise, then it is *possible* (but by no means certain) that the prices of certain necessaries, especially food, will rise

correspondingly for a time. The author of the *Inquiry into Those Principles etc.* rightly remarks in this connection:

> In this case there will be "... an increase of demand for necessaries, in proportion to that for superfluities, as compared with what would have been the proportion between these two sorts of demand, if he had exerted that command" (i.e., the capitalist, his command over commodities) "to procure things for his own consumption. Necessaries will thereby exchange for more of things in general... And, in part, at least, these necessaries will be food" (op. cit., p. 22).

He then correctly expresses the Ricardian view as follows:

> "At all events, then, the increased price of corn was not the *original* cause of that rise of wages which made profits fall, but, on the contrary, the rise of wages was the cause of the increased price of corn at first, and the nature of land, yielding less and less proportional returns to increased tillage, made part of that increase of price *permanent*, prevented a complete *reaction* from taking place through the principle of population" (loc. cit., p. 23).

Hodgskin and the author of *The Source and Remedy etc.* since they explain the fall of profits by the impossibility of living labour to fulfil the demands of compound interest, and although they do not analyse this, are much nearer the truth than Smith and Ricardo, who explain the fall of profits by the rise in wages, one of them, [by the rise in] real and nominal wages, the other [by the rise in] nominal wages, with rather a decrease of real wages. Hodgskin and all the other proletarian opponents have enough common sense to emphasise the fact that the proportional number of those who live on profit has increased with the development of capital.

[f) Hodgskin on the Social Character of Labour and on the Relation of Capital to Labour]

Now a few concluding passages from Hodgskin's *Labour Defended etc.*

The treatment of the exchange-value of the product, hence of the labour embodied in the commodity, as social labour.

> "Almost every product of art and skill is the *result of joint and combined labour*... "

(This is the result of capitalist production.)

> "... So dependent is man on man, and so much does this dependence *increase* as society advances, that hardly any labour of any single individual ... is of the least value but as forming part of the great social task..."

<This passage has to be quoted, and in doing so [it is necessary to emphasise] that it is only on the basis of capitalism that *commodity* production or the production of products as commodities becomes all-embracing and affects the nature of the products themselves.>

> "Wherever the division of labour is introduced [...] the judgement of other men intervenes before the labourer can realise his earnings, and there is no longer any thing which we can call natural reward of individual labour. Each labourer produces only some part of a whole, and each part, having no value or utility of itself, there is nothing on which the labourer can seize and say, 'this is my product, this I will keep to myself'. Between the commencement of any joint operation, such as that of making cloth, and the division of its product among the different persons whose combined exertions have produced it, the judgement of men must intervene several times, and the question is, how much of this joint product should go to each of the individuals whose united labour produced it?"

([Thomas Hodgskin, *Labour Defended etc.*, London, 1825,] p. 25.)

"... I know no way ||890| of deciding this but by leaving it to be settled by the unfettered judgements of the labourers themselves" (loc. cit., p. 25).

"I must [...] add that it is doubtful whether one species of labour is more valuable than another; certainly it is not more necessary" (loc. cit., p. 26).

Finally Hodgskin writes about the *relation of capital* [and labour]:

"Masters [...] are labourers as well as their journeymen. In this character their interest is precisely the same as that of their men. But they are also either capitalists or the agents of the capitalist, and in this respect their interest is decidedly opposed to the interest of their workmen" (loc. cit., p. 27).

"The wide spread of education among the journeymen mechanics of this country, diminishes daily the value of the labour and skill of almost all masters and employers, by increasing the numbers of persons who possess their peculiar knowledge" (loc. cit., p. 30).

"But put the capitalist, the oppressive middleman out of view"[hh] then "... it is plain that *capital*, or the *power to employ labour*, and *coexisting labour*, are one; and [...] *productive capital* and *skilled labour* are also *one;* consequently capital and a labouring population are precisely synonymous. In the system of nature, mouths are united with hands and with intelligence" (loc. cit., p. 33).

The capitalist mode of production disappears with the form of alienation which the various aspects of social labour bear to one another and which is represented in *capital*. This is the conclusion arrived at by Hodgskin.

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The primitive accumulation of capital. Includes the centralisation of the conditions of labour. It means that the conditions of labour acquire an independent existence in relation to the worker and to labour itself. This historical act is the historical genesis of capital, the *historical* process of separation which transforms the conditions of labour into capital and labour into wage-labour. This provides the basis for capitalist production.

Accumulation of capital on the basis of capital itself, and therefore also on the basis of the relationship of capital and wage-labour, reproduces the separation and the independent existence of material wealth as against labour on an ever increasing scale.

Concentration of capital. Accumulation of large amounts of capital by the destruction of the smaller capitals. Attraction. Decapitalisation of the intermediate links between capital and labour. This is only the last degree and the final form of the process which transforms the conditions of labour into capital, then reproduces capital and the separate capitals on a larger scale and finally separates from their owners the various capitals which have come. into existence at many points of society, and centralises them in the hands of big capitalists. It is in this extreme form of the contradiction and conflict that production—even though in alienated form—is transformed into social production. There is social labour, and in the real labour process the instruments of production are used in common. As *functionaries* of the process which at the same time accelerates this *social* production and thereby also the development of the productive forces, the capitalists become superfluous in the measure that they, on behalf of society, enjoy the usufruct and that they become overbearing as *owners* of this social wealth and *commanders* of social labour. Their position is

similar to that of the feudal lords whose exactions in the measure that their *services* became superfluous with the rise of bourgeois society, became mere outdated and inappropriate privileges and who therefore rushed headlong to destruction. |XV-890||

[g) Hodgskin's Basic Propositions as Formulated in His Book—"Popular Political Economy"]

||XVIII-1084| Thomas Hodgskin, *Popular Political Economy. Four Lectures delivered at the London Mechanics' Institution*, London, 1827.

> "Easy labour is only *transmitted skill*" (p. 48).
>
> "But as all the advantages derived from the division of labour naturally centre in, and [...] belong to the labourers, if they are deprived of them, and in the progress of society those only are enriched by their improved skill who never labour,—this must arise from unjust appropriation; from usurpation and plunder in the party enriched, and from consenting submission in the party impoverished" (op. cit., pp. 108-09).
>
> ||1085| "The labourers, to be sure, multiply too rapidly when that multiplication is only compared with the want of the capitalist for their services..."[ii] (op. cit., p. 120).
>
> "Mr. Malthus points out the effects which an increase in the *number of labourers* has in lessening the share which each one receives of the annual produce—the portion of that *distributed* amongst them being a definite and determinate quantity, not regulated in any degree by what they annually create" (op. cit., p. 126).

> "... labour [...] the exclusive standard of value," but "labour, the creator of all wealth" [is] "*not a commodity*" (op. cit., p. 186, note).

Regarding the influence of money on the expansion of wealth, Hodgskin remarks correctly:

> "As a man can dispose of small portions of produce that is corruptible, for what is incorruptible, he is under no temptation to throw it away; and thus the use of money adds to wealth, by preventing waste" (op. cit., p. 197).

> The chief advantage of retail trade derives from the fact that the quantity in which commodities are best produced is not that in which they are best distributed[jj] (op. cit., p. 146).

> "Both the theory relative to capital, and the practice of stopping labour at that point where it can produce, in addition to the subsistence of the labourer, a profit for the capitalist, seem opposed to the natural laws which regulate production" (op. cit., p. 238).

With regard to the *accumulation of capital*, Hodgskin advances roughly the same ideas as those contained in his first book. Nevertheless—for the sake of completeness—we will reproduce the main passages.

> "Taking only fixed capital into consideration [...] the subject most favourable to the idea of capital aiding production [...] For this purpose we may distinguish three classes of circumstances under which the effects of an accumulation of capital will be very different. First, if it is made and used by the same persons [...][kk] every accumulation in his possession of the instruments he makes and uses, facilitates his labour. The *limit to such an accumulation* is [...] *the power of the labourer to make and use the instruments in question*."

"... second, if it be[ll] made and used by different [...] persons, who share between them in just proportion the produce of their combined labour.[...] Capital may be made by one labourer and used by another [...] both may[mm] divide the commodity [...] in proportion as each has contributed by his labour to produce it... I should rather express this fact, however, by saying that a part of the society employed in making instruments, while another part uses them, is a *branch of division of labour* which aids productive power and adds to the general wealth. As long as the produce of the two [...] classes of labourers.- be[nn] divided between them, the accumulation or[oo] increase of such instruments as they can make and use, is as beneficial as if they were made and used by one person."

Third, "if it be owned by a class of persons who neither make nor use it [...] The capitalist being the mere *owner* of the instruments, is not, as such, a labourer. He in no manner assists production."

<In other words, production is assisted by the *instrument*, but not by the title which A holds to the instrument, i.e. not by the circumstance that the instrument is owned by a non-labourer.>

"He *acquires possession of the produce of one labourer, which he makes over to another*, either for a time—as is the case with most kinds of fixed capital, or for ever, as is the case with wages—whenever he thinks it can be used or consumed for *his* advantage. He never does allow the produce of one labourer, when it comes into his possession, to be either used or consumed by another, unless it is for his benefit. He employs or lends his property *to shore the produce*, or natural revenue, *of labourers;* and every *accumulation of such property* in his hands is a *mere extension of his power over the produce of labour*, and retards the progress of national wealth, [...] this [is] at present the case... When the capitalist,

being. the owner of all the produce, will allow labourers neither to make nor use instruments, unless *he* obtains a profit over and above the subsistence of the labourer, it is plain that bounds are set to productive labour much within what Nature prescribes. In *proportion as capitol in the hands of a third party is accumulated*, so *the whole amount of profit required by the capitalist increases*, and so there arises an artificial check to production and population... In the present state of society, the labourers being la no case the owners of capital, *every accumulation of it adds to the amount of profit demanded from them*, and extinguishes all that labour which would only procure the labourer his comfortable subsistence... when it is admitted that labour produces all things, even capital, it is *nonsense to attribute productive power to the instruments labour makes and uses...*"

"*...wages do not*, like instruments, facilitate *production.*[pp] [...] *labour, not capital, pays all wages*" (op. cit., pp. 243-47).

||1086| "...the greater part of [...] the *advances of capitalists* consists of such *promises.*"[qq]

"...the invention *and* employment of paper-money had done nothing else but show [the incorrectness of the notion] that capital is *something saved*[rr] [...] As long as the capitalist, to realise his wealth, or command over other people's labour, was obliged to have in his possession an actual accumulation of the precious metals or of commodities, we might have continued to suppose,[ss] that accumulation of capital was the result of an actual saving, and that on it depended the progress of society. But when paper-money and parchment securities were invented—when the possessor of nothing but such a piece of parchment received an annual revenue in pieces of paper with which he obtained whatever was necessary for his own use and consumption, and not giving away all the pieces of paper, was richer at the end of the year

than at the beginning, or was entitled next year to receive a still greater number of pieces of paper, obtaining a still greater *command* over the produce of labour, it became evident [...] that capital was not any thing saved; and that the individual capitalist *did* not grow rich by an actual and material saving, but by *doing* something which enabled him ... to obtain more of the produce of other men's[tt] labour" (loc. cit., p. 248, note).

"The master manufacturer has either money or paper with which he pays wages; those wages his labourer exchanges for the produce of other labourers, who will not keep the wages, whether money or paper; and it is returned to the manufacturer, who gives in exchange for it the cloth which his own labourers have made. With it he again pays wages, and the money or paper again goes the same round ..."

"It ascribes to his" (the capitalist's) "*property* merely, whether he employ it to *pay wages*, or whether it consist in useful instruments, all that vast assistance, which *knowledge and skill, when realised in machinery*, give to labour. [...] the united labours of the miner, the smelter, the smith, the engineer, the stoker, and of numberless other persons, and not the lifeless machines, perform whatever is done by steam engines... *By the common mode of speaking, the productive power of this skill is attributed to its visible products*, the instruments, *the mere owners of which*, who neither make nor use them, imagine themselves to be very productive persons..." (loc. cit., pp. 248-51).

With regard to his polemic against "*the danger of forcing* [...] *capital out of the country*" [loc. cit., p. 253], and against the interest of capital as a necessary stimulus for [the development of] industry, or concerning the savings theory, see IX, 47. To be included in the chapter on the vulgar economists.

"As their numbers are increased,[uu] both increased production and consumption take

place, which is all that is ever meant by the terms accumulation or increase of national wealth" (op. cit., p. 257). |XVIII-1086||

[h) Hodgskin on the Power of Capital and on the Upheaval in the Right of Property]

|XIII-670a| [Hodgskin,] *The Natural and Artificial Right of Property Contrasted*, London, 1832.

> "At present, all the wealth of society goes first into the possession of the *capitalist*, and even most of the land has been purchased by him; *he pays* the landowner his rent, the labourer his wages, the tax and tithe gatherer their claims, and *keeps a large, indeed the largest and continually augmenting share, of the annual produce of labour for himself*. The capitalist may now be said to be the *first owner* of all the wealth of the community; though no law has conferred on him the right to this property" (p. 98).
>
> "... this change has been effected *by the taking of interest on capital*, and by the process of compound interest; and it is not a little curious, that all the lawgivers of Europe, endeavoured *to prevent this by statutes*, viz., statutes against usury" (loc. cit., p. 98, note).
>
> "... the power of the capitalist over all the wealth of the country, is a *complete change in the right of property*, and by what law, or series of laws, was it effected?" (loc. cit., p. 99). |XIII-670a||

[4.] Bray as an Opponent of the Economists

|X-441| J. F. Bray, *Labour's Wrongs and Labour's Remedy, etc.*, Leeds, 1839.

Since human existence is determined by labour, and labour presupposes instruments of labour ... "the great field for all exertion and the *raw material* of all wealth—the earth—is[vv] the common property of all its inhabitants" (p. 28).

"... life is dependent upon food, [...] food [...] upon labour [...], those dependencies are absolute [...] therefore, if labour be evaded by any human being, it can be thus evaded by individuals only on the condition of increased labour by the mass" (loc. cit., p. 31).

"... all the wrongs and the woes which *man* has ever committed or endured, may be traced to the assumption of a right in the soil, by certain individuals and classes, to the exclusion of other individuals and classes... The next step which man has ever taken, after having claimed property in land, has been to claim property in *man*..." (loc. cit., p. 34).

Bray declares that his purpose is:

"...fighting them" (the economists) "upon their own ground, and with their own weapons" (loc. cit., p. 41) (in order to prove that poverty need not be the lot of the workers under every social system). "Before the conclusions arrived at by such a course of proceeding can be overthrown, the economists must unsay or disprove those established truths and principles on which their arguments are founded" (loc. cit., p. 41).

According to the economists the production of wealth requires: 1) labour, 2) accumulation of previous labour, or capital, and 3) exchange.[ww] These are, according to the economists themselves, the *universal conditions of production*.

"They are applied to society at barge, and, from their nature, cannot exempt any individual or any class from their operation" (loc. cit., p. 42).

"The ban—'Thou shalt babour'—rests alike on all created beings... Man only can escape this law; and, from its nature, it can be evaded by one man only at the expense of another" (loc. cit., p. 43).

"From the very nature of labour and exchange, strict justice not only requires" <in this context, Bray refers to the economic definitions of the exchange-value of commodities> "that all exchangers should be *mutually*, but that they should *likewise be equally*, benefited... If a just system of exchanges were acted upon, the value of all articles would he determined by the entire cost of production; and equal values should always exchange for equal values... the workmen have given the capitalist the labour of a whole year, in exchange for the value of only half a year—and from this [...] has arisen the inequality of wealth and power which at present exists around us. It is an inevitable condition of inequality of exchanges—of buying at one price and selling at another—that capitalists shall continue to be capitalists, and working men be working men—the one a class of tyrants and the other a class of slaves—to eternity" (op. cit., pp. 48-49).

"By the present [...] system, exchanges are not only not mutually beneficial to all parties, as the political economists have asserted, but it is plain [...] that there is, in most transactions between the capitalist and the producer, [...] no exchange whatever ... what is it that the capitalist, whether he be manufacturer or banded proprietor gives [...] for the labour of the working man? The capitalist gives no labour, for he does not work—he gives no capital, for his store of wealth is being perpetually augmented... the capitalist [...] *cannot* [...] make an exchange with anything that belongs to himself. The whole transaction, therefore, plainly skews that the capitalists and proprietors do no more than give the working man, for his labour of one week, a part of the wealth which they obtained from him the week before!—which just

amounts to giving him nothing for something... The wealth which the capitalist appears to give in exchange for the workmen's labour was generated neither by the labour nor the riches of the capitalist, but it was originally obtained by the labour of the workman; and it is still daily taken from him, by a fraudulent system of unequal exchanges" (loc. cit., pp. 49-50). "The whole transaction [...] between the producer and the capitalist, is a palpable deception, a mere farce" (loc. cit., p. 50).

"...the law which says 'There shall be accumulation', is only half fulfilled, and is made to subserve the interests of a particular class, to the detriment of all the rest of the community..." (loc. cit., p. 50).

"Under the present social system, the whole of the working class are dependent upon the capitalist or employer for the means of labour; and where one class, by its position in society, is thus dependent upon another class for the *means of labour*, it is dependent, likewise, for the *means of life;* and this is a condition so contrary to the very intention of society—so revolting to reason ... that it cannot for one moment be palliated or defended. It confers on man a power which ought to be vested in nothing mortal" (loc. cit., p. 52).

"Our daily experience teaches us, that if we take a slice from a loaf, the slice never grows on again: the loaf is but an accumulation of slices, and the more we eat of it, the less will there remain to be eaten. Such is the ||442| case with the loaf of the working man; but that of the capitalist follows not this rule. His loaf continually increases instead of diminishing: with him, it is cut and come again, for ever. ... if exchanges were equal, would the wealth of the present capitalists gradually go from them to the working classes: every shilling that the rich man spent, would leave him a shilling less rich" (loc. cit., pp. 54-55).

Bray also shows in his work that:

"... it is [...] impossible that any capitalist can have derived even one thousand pounds sterling from the actual hoarded labour of his working-class progenitors" (loc. cit., p. 55).

It follows from the teachings of the economists themselves that "...there can be no exchanges without accumulations—no accumulations with-out labour" (loc. cit., p. 55).

"...under the present system, every working man gives to an employer at least six days' labour for an equivalent worth only four or five days' labour, the gains of the last man are necessarily the losses of the first man" (loc. cit., p. 56).

"Thus, in whatever light" [the genesis of wealth is] "examined—whether as a gift, [...] individual accumulation, [...] exchange, [...] inheritance—there is proof upon proof that there is a flaw in the rich man's title which takes away at once its very show of justice, and its value" (loc. cit., pp. 56-57).

"... this wealth has all been derived from the bones and sinews of the working classes during successive ages, and it has been taken from them by the fraudulent and slavery-creating system of unequal exchanges" (loc. cit., p. 57).

If "a working man under the present system [...] would become wealthy, he [...] instead of exchanging his own labour, must become a capitalist, or exchanger of the labour of other people; and thus, by plundering others in the same manner as he was plundered, through the medium of unequal exchanges, he will be enabled to acquire great gains from the small losses of other people" (loc. cit., p. 57).

"The political economists and capitalists have written and printed many books to impress upon the working man the fallacy that 'the gain of the capitalist *is not* the boss of the producer'. We are told that Labour cannot move one step without Capital—that Capital is

> as a shovel to the man who digs—that Capital is just as necessary to production as Labour itself is... this mutual dependency between Capital and Labour has nothing to do with the relative position of the capitalist and the working man; nor does it show that the former should be maintained by the latter... It is the capital, and not the capitalist, that is essential to the operations of the producer; and there is as much difference between the two, as there is between the actual cargo and the bill of lading" (loc. cit., p. 59).
>
> "From the relation which capital and labour bear to each other, it is evident that the more capital or accumulated produce there is in a country, the greater will be the facilities for production, and the less labour will it require to obtain a given result. Thus the people of Great Britain, with the aid of their present vast accumulations of capital—their buildings, machinery, ships, canals and railways—can produce more manufactured wealth in one week, than their ancestors of a thousand years since could have created in half a century. It is not our superior physical powers,[xx] but our capital, which enables us to do this; for, wherever there is a deficiency of capital, production will progress slowly and laboriously, and vice versa. From these considerations, then, it is apparent, that whatever is gained to Capital, is likewise gained to Labour—that every increase of the former tends to diminish the toil of the latter—and that, therefore, every loss to Capital must also be a loss to Labour. This truth, though long since observed by the political economists, has never yet been fairly stated by them" [loc. cit., pp. 59-60].

<In fact, the fellows argue in the following way:

Accumulated products of labour, i.e., products not consumed, lighten labour and make it more productive. As a consequence, the fruits of this lightening and so on must go not to labour itself but to accumulation. Consequently, it is not accumulation

which must be the property of labour but labour must be the property of accumulation—[that is, it must be the property 1 of its own products. Consequently, the worker must not accumulate for himself but for someone else, and the accumulation must confront him as capital.

For the economists, the material element of capital is so integrated with its social form as capital—with its antagonistic character as the product of labour dominating labour—that they cannot write a single sentence without contradicting themselves.>

> "They *have even identified Capital with one class of the community, and Labour with another* class—although the two powers have naturally, and should have artificially, no such connection. The economists always attempt to make the prosperity, if not the very existence, of the working man dependent upon the condition of maintaining the capitalist in luxury and idleness. They would not have the working man to eat a meal until he has produced two—one for himself and the other for his master—the batter receiving his portion indirectly, by unequal exchanges" (ibid., p. 60).
>
> "When the workman has produced a thing, it is his no longer—it belongs to the capitalist—it has been conveyed from the one to the other by the unseen magic of unequal exchanges" (loc. cit., p. 61).
>
> "Under the present social system, Capital and Labour—the shovel and the digger—are two separate and antagonistic powers" (loc. cit., p. 60).
>
> ||443| "But even if all the land and the machinery and the houses did belong to the capitalists, and the working class were not in being, the former would not thereby be enabled to evade the great condition 'that there shall be labour'. Their wealth would leave them in the choice only of working or starving. They cannot eat the land and the houses; and the land will not yield sustenance, nor the

machinery make clothing, without the application of human labour. Therefore, when the capitalists and proprietors say that the working class must support them, they likewise say, in effect, that the producers belong to them as well as the houses and bands do—that the working man was created only for the rich man's use!" (op. cit., p. 68).

"... the producer [...] receives, in exchange for what he gives to the capitalist—not the labour nor the produce of the labour of the capitalist, but—work! Through the instrumentality of money, the working class are not only compelled to perform the labour which the preservation of existence naturally imposes upon them, but they are likewise saddled with the labour of other classes. It matters not whether the producers now receive gold, or silver, or other commodities from a non-producing class: it all amounts to this—that the working class perform their own labour, and support them-selves, and likewise perform the labour of the capitalist, and maintain him into the bargain! Whatever may be the *nominal* receipts which the producers receive from the capitalists, their actual receipts are—the *transfer of that labour which ought to be rendered by the capita lists*" (op. cit., pp. 153-54).

"... we will suppose the population of the United Kingdom [...] to be [...] 25,000,000 of human beings. [...] we may [...] estimate the entire maintenance of the twenty-five millions of people to be worth,[yy] on the average, at least £15 per head annually. This gives £375,000,000 as the yearly value of the maintenance of the whole people of the United Kingdom. We do not, however, employ ourselves merely in producing articles of subsistence, for our labour creates, likewise, many unconsumable articles. We every year add to our stock of accumulations, or capital, by increasing the number of our houses, ships, implements, machines, roads, and other assistants to further production, beside making good all wear and tear. Thus, although our

subsistence may be worth but three hundred and seventy-five millions sterling a year, the total annual value of the wealth created by the people [...] will not be loss than five hundred millions sterling" (op. cit., p. 81).

"... we cannot calculate upon having above one-fourth of our population, or about six millions of men—that is, those between the ages of fourteen and fifty—as effective producers. Of this number [...] scarcely five millions can be said, under the present arrangements [...] to assist in production;" (Bray writes later on that only four millions are directly employed in actual production) "for thousands of able-bodied men [...] are compelled to stand idle while the work which they ought to do is being performed by women and children; and hundreds of thousands of men in Ireland can obtain no employment whatever. Thus less than five millions of men, assisted by a few thousands of women and children, have [...] to create produce for [...] twenty-five millions..." (loc. cit., pp. 81-82).

"... the present number of working men, if unassisted by machinery, could not support themselves and the present number of idlers and unprofitable labourers [...] The agricultural and manufacturing machinery of every kind which we bring to our aid in the business of productions, has been computed to perform the labour of about one hundred millions of effective men... this machinery—and its application under the present system, which has generated the hundreds of thousands of idlers and livers on profit who now press the working class into the earth" (loc. cit., p. 82).

"The present constitution of society has been fertilised by machinery, and by machinery will it be destroyed... The machinery itself is good—is indispensable; it is the application of it—the circumstance of its being possessed by individuals instead of by the nation—that is bad" (loc. cit., pp. 82-83).

"The five millions of men already enumerated as assisting in production will include all who labour little or much. Some [...] do not work five hours a day, while others again toil on fifteen hours;[zz] and when to this is added the time lost by the compulsory idleness of great numbers in times of depression in trade, it will be found that our annual production is created and distributed by less than one-fifth of the community, working, on the average, ten hours a day" (loc. cit., p. 83).

"... we suppose that the wealthy non-producers of every description, with their families, and dependents, amount only to two millions of persons, yet this number alone would cost the working classes 230,000,000 annually, if their maintenance were averaged, bike that of the latter, at £15 per head... therefore,[aaa] upon the most moderate computation their maintenance will cost not less than £50 per head. This gives a total of £100,000,000 as the annual cost of the mere drones of society—the utterly unproductive..." (loc. cit., pp. 83-84).

"... likewise[bbb] the double and quadruple allowance received by the various classes of small proprietors, manufacturers, and tradesmen, in the shape of profit and interest, ||444| Upon the most moderate computation, the share of wealth enjoyed by this extensive portion of the community will amount to not less than £140,000,000 annually, *above* the average of what is received by an equal number of the best paid of the working class. Thus, along with their government, the two classes of idlers and livers on profit—comprising perhaps one-fourth of the entire population—absorb about £300,000,000 annually, or above one half of the entire wealth produced [...] an average boss of above £50 per head to every working man in the empire!—This leaves no more than an average of £11 per head per annum, to be divided amongst the remaining three-fourths of the nation. From calculations made in 1815, it appears that the annual income of the whole

people of the United Kingdom amounted to about £430,000,000; of which the working class received £99,742,547, and the rent, pension, and profit class £330,778,825! The whole property of the country was at the same time calculated to be worth nearby three thousand millions of pounds sterling" (loc. cit., pp. 84-85).

Cf. the list of Gregory King etc.

England, 1844. Population: Nobility and gentry—1,181,000. *Trades men, farmers*, etc.—4,221,000 (combined total—5,402,000). Labourers, paupers, etc.—9,567,000. Banfield (T.C.), *The Organisation of Industry*, second ed., London, 1848. |X-444||

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[a] In the manuscript "i.e." instead of "that is to say".—*Ed.*

[b] In the manuscript "Consequently, if" instead of "If then".—*Ed.*

[c] In the manuscript "But this is" instead of "that it is".—*Ed.*

* ||XV-862a| Because surplus-value and surplus labour are identical, a *qualitative* limit is set to the accumulation of capital, [it is determined by] the *total working-day* (the period in the 24 hours during which labour-power can be active), the given stage of development of the productive forces and the *population*, which limits the total *number* of working-days that can be utilised simultaneously at a given time. If, on the contrary, surplus yield is understood in the abstract form of *interest*, that is, as the proportion in which capital increases itself by means of a mythical "sleight of hand",

then the limit is purely *quantitative* and it is absolutely impossible to see why capital does not daily add to itself interest as capital every morning, thus creating interest on interest in infinite progression. |XV-862a||

[d] See *Theories of Surplus-Value*, Part II, pp. 541-42 and this volume, pp. 114-15.—*Ed.*

[e] In the manuscript "*for*".—*Ed.*

[f] Instead of "this surplus labour must", the manuscript has "This surplus labour, that is an even larger amount, must".—*Ed.*

[g] Instead of "which is the same thing", the manuscript has "which comes to the same thing".—*Ed.*

[h] The following sentence is Marx's paraphrase (written in German) of the ideas the author sets forth in the pamphlet.—*Ed.*

[i] The first part of the sentence up to the words: "are worked" is not a quotation but a paraphrase by Marx (in German).—*Ed.*

[j] The Source and Remedy of the National Difficulties, deduced from Principles of Political Economy, etc.—*Ed.*

[k] In the manuscript "The"—*Ed.*

[l] In the manuscript "The entire war against the French Revolution" instead of "the history of the last thirty years".—*Ed.*

[m] *The Source and Remedy of the National Difficulties*, published anonymously.—*Ed.*

[n] Ravenstone, *Thoughts on the Funding System, and its Effects*.—*Ed.*

[o] *Labour Defended against the Claims of Capital; or, the Unproductiveness of Capital Proved*, which Hodgskin published anonymously.—*Ed.*

[p] In the manuscript "Wealth is nothing but disposable time".—*Ed.*

[q] Activity.—*Ed.*

[r] In the manuscript this reads: "The conviction of the worker employed by the cotton spinner... "—*Ed.*

[s] In the nascent state.—*Ed.*

[t] A mode of expression, a figure of speech.—*Ed.*

[u] In kind, in this context it means: within the framework of a natural economy.—*Ed.*

[v] This is not a quotation from Chavée but a free summary of some of his ideas.—*Ed.*

[w] Virtue.—*Ed.*

[x] To surround with a wall, to fortify, to defend.—*Ed.*

[y] To be strong, vigorous.—*Ed.*

[z] Wall.—*Ed.*

[aa] Rule, govern, control.—*Ed.*

[bb] In the manuscript "the vast utility of the steam-engine *does*".—*Ed.*

[cc] In the manuscript "*the*".—*Ed.*

[dd] See this volume, pp. 16-17 and 31-32.—*Ed.*

[ee] In the manuscript "The Author of *An Essay on the Application of Capital to Land* says".—*Ed.*

[ff] Instead of the phrase: “they in reality assert the monstrous proposition” Marx wrote in the manuscript in German: they assert the absurd proposition.—*Ed.*

[gg] Power—*Ed.*

[hh] In the manuscript “The *capitalist* is the *oppressive middleman* between the different labourers. If he is put out of view…”.—*Ed.*

[ii] The words up to “rapidly” represent Marx’s own synopsis of Hodgskin’s argument and have been translated here from the German. The rest of the sentence is quoted directly from Hodgskin.—*Ed.*

[jj] Marx paraphrases this proposition of Hodgskin in German (apart from the words “retail trade” and “quantity”) and his rendering has been translated here.—*Ed.*

[kk] This part of the quotation is slightly condensed and partly translated into German in the manuscript; rendered in English it reads: “If one considers for example fixed capital, the most favourable position for the idea of capital aiding production, three classes of circumstances are to be distinguished under which [the results of] accumulation of capital are very different.”

1. When it is made and used by the same person. It is obvious [that]”.—*Ed.*

[ll] In the manuscript “when” instead of “if it be”.—*Ed.*

[mm] In the manuscript “they” instead of “both may”.—*Ed.*

[nn] In the manuscript “is”.-*Ed.*

[oo] In the manuscript “and”.-*Ed.*

[pp] In the manuscript "*wages do not facilitate production, like instruments*".—*Ed.*

[qq] In the manuscript "consists of promises to pay".—*Ed.*

[rr] In the manuscript "The invention and employment of paper-money has revealed that capital is by no means something saved".—*Ed.*

[ss] In the manuscript "one could suppose".—*Ed.*

[tt] In the manuscript "people".—*Ed.*

[uu] In the manuscript "As the population increases."—*Ed.*

[vv] In the manuscript "must be".—*Ed.*

[ww] Marx here summarises Bray's ideas and presents them in German.—Ed.

[xx] In the manuscript "*forces*".—*Ed.*

[yy] Instead of "we may estimate the entire maintenance of the 25 millions of people to be worth", in the manuscript "We assume that their maintenance *is*".—*Ed.*

[zz] In the manuscript the two sentences, which are translated into German, are condensed to read as follows: "Of the five million men who at present assist in production some work only five hours a day, others fifteen."—*Ed.*

[aaa] In the manuscript "But".—*Ed.*

[bbb] In the manuscript "Add to *this*".—*Ed.*

[Chapter XXII] Ramsay

[1. The Attempt to Distinguish Between Constant and Variable Capital. The View that Capital Is Not an Essential Social Form]

||XVIII-086| Ramsay, George (of Trinity College, Cambridge), *An Essay on the Distribution of Wealth*, Edinburgh, 1836.

With Ramsay we return again to the political economists.

<In order to find a place for commercial capital, he calls it "the transport of commodities from one place to another" (op. cit., p. 19). He thus confuses trade with the carrying industry.>

Ramsay's chief contribution:

First: That he does in fact make the distinction between *constant and variable capital.* True, this occurs in such a manner, that the distinction between fixed and circulating capital which he takes from the circulation process is the only one which he *nominally* retains, but he defines fixed capital in such a way that it includes all the

elements of constant capital. He therefore regards as *fixed* capital not only machinery and instruments, buildings in which labour is carried on or in which the results of labour are stored, draught and breeding animals, but also all raw materials (semi-manufactures, etc.) "the seed of the agriculturist, and the raw material of the manufacturer" (op. cit., p. 22). Moreover "manure of all kinds, fences [...] for agriculture, and the fuel consumed in manufactories" (loc. cit., p. 23) are fixed capital.

> "*Circulating capital* consists exclusively of subsistence and other necessaries advanced to the workmen, previous to the completion of the produce of their labour" (loc. cit., p. 23).

It can be seen therefore that by "circulating capital" he understands nothing ||1087| but that part of capital which constitutes wages, and by fixed capital, that part which constitutes the objective conditions—means and materials—of labour.

The mistake here, however, is the identification of this division of capital, which is directly derived from the production process, with the distinction which arises from the circulation process. This is due to his adherence to the economic tradition.

On the other hand, Ramsay again confuses the purely material element of the fixed capital thus defined with its existence as "capital". Circulating capital (i.e., variable capital) does not enter into the real labour process, but what does enter, is living labour, which is bought with circulating capital, and which replaces it. What enters in addition into the labour process is constant capital, that is, labour embodied in the objective conditions of labour, in the materials and means of labour. Ramsay therefore writes:

> "... fixed capital alone, not circulating, is properly speaking a source of national wealth"

(loc. cit., p. 23). "...labour and fixed capital are the only elements of expense of production" (op. cit., p. 28).

What is really expended in the production of a commodity are raw materials, machinery, etc., and the living labour which sets them in motion.

"Circulating" capital is superfluous, extraneous to the process of production.

"... were we to suppose the labourers not to be paid until the completion of the product, there would be no occasion whatever for circulating capital. [...] industry would be carried on on a scale quite as great[a] [...] Nothing can prove more strongly[b] that circulating capital is not an *immediate* agent in[c] production, *nor even essential to it at all*, but merely a *convenience rendered necessary by the deplorable poverty of the mass of the people*" (op. cit., p. 24).

"...fixed capital [...] alone constitutes an element of cost of production in a national point of view"... (loc. cit., p. 26).

In other words: the labour materialised in the conditions of labour—materials and means of labour—which we call "fixed capital", and the living labour, in short, embodied, materialised labour and living labour, are necessary conditions of production, elements of the national wealth. On the other hand, [according to Ramsay], it is a mere "convenience" due to the "deplorable poverty of the mass of the people" that the means of subsistence of the workers at all assume the form of "circulating capital". Labour is a condition of production, but wage-labour is not, and neither, therefore, is it necessary that the workers' means of subsistence confront them as "capital", as an "advance by the capitalist". What Ramsay overlooks is that if the means of subsistence of the workers did not confront them as "capital" (as "circulating capital", as he calls it),

neither would the objective conditions of labour confront them as "capital", as "fixed capital", as he calls it. Ramsay attempts in earnest, and not merely in words as the other economists do, to reduce capital to "a portion of the national wealth, employed, or meant to be employed, in favouring reproduction" (op. cit., p. 21); he therefore declares wage-labour and consequently capital—that is the *social form which the means of reproduction assume on the basis of wage-labour—to* be unimportant and due merely to the poverty of the mass of the people.

Thus we have arrived at the point where political economy itself—on the basis of its analysis—declares the *capitalist form* of production, and consequently *capital*, to be not an absolute, but merely an "accidental", historical condition of production.

Ramsay's analysis, however, does not go far enough to draw the correct conclusions from his premises, from the new definition which he has given to capital in the immediate production process.

[2. Ramsay's Views on Surplus-Value and on Value. Reduction of Surplus-Value to Profit. The Influence Which Changes in the Value of Constant and Variable Capital Exert on the Rate and Amount of Profit]

Ramsay comes indeed close to the correct definition of surplus-value.

> "... a circulating capital will always maintain more labour than that formerly bestowed upon itself. Because, could it employ no more than had been previously bestowed upon itself, what advantage could arise to the owner from the use of it as such?" (op. cit., p. 49). "There is no possible way of escaping this conclusion, except by asserting[d] that the *quantity of labour* which any circulating capital will employ is no more than equal to *that previously bestowed* upon it. [...] This would be [...] to say, that the value of the capital expended is[e] equal to that of the product" (loc. cit., p. 52).

This means, therefore, that the capitalist exchanges less materialised labour for more living labour and that this surplus of unpaid living labour constitutes the excess of the value of the product over the value of the capital consumed in its production, in other words, the *surplus-value* (profit, etc.). If the amount of labour for which the capitalist pays wages were equal to the amount which he receives back from the worker in the product, then the value of the product would be no greater than that of the capital and there would be no profit. Although Ramsay is very close here to the real origin of surplus-value, he is nevertheless too bound up in the tradition of the economists not to begin immediately straying again along false paths. First of all, the way he explains this exchange between variable capital ||1088| and labour is ambiguous. If he had been quite clear about this, then further misunderstanding would have been impossible. He says:

> "... circulating capital", for instance, "raised by the labour of 100 men, will [...] employ a greater number, say 150.[f] Therefore the product at the end of the [...] year, will, in this case, be the result of the labour of 150 men" (loc. cit., p. 50).

Under what circumstances can the product of 100 men buy [the labour of] 150 men?

If the wages received by a worker for 12 hours' labour were equal to the value of 12 hours' labour, then only one working-day could be bought back with the product of his labour and only 100 working-days with the product of 100 working-days. But if the value of the daily product of his labour is equal to 12 labour hours and the value of the daily wage he receives is equal to 8 labour hours, then $1\,{}^{1}/_{2}$ working-days or the labour of ${}^{1}/_{2}$ men can be paid for, bought back, for the value of his daily product. And 100 ($1+{}^{1}/_{2}$ men or working-days) = 100+50 or 150 men can be employed with the product of 100 working-days. Thus, the condition in which the product of 100 men sets 150 in motion is that each of the 100 men and, in general, every worker, spends half as much time working gratis for the capitalist as he works for himself, or that he spends a third of the working-day working gratis. Ramsay does not make this clear. The ambiguity appears in the conclusion: "Therefore the product at the end of the ... year, will, in this case, be the result of the labour of 150 men" [loc. cit., p. 50]. It will indeed be the result of the labour of 150 men in the same way as the product of 100 men was the result of the labour of 100 men. The ambiguity (and certainly the lack of clarity, more or less derived from Malthus) is to be found in this: It appears as if the profit arises merely from the fact that 150 men are now employed instead of 100. Just as if the profit derived from the 150 workers arose from the fact that 225 workers can now be set in motion by the product of the 150 [in the ratio of] 100:150= 150:225 [or] 20:30=30:45 [or] 4:6=6:9. But that is not the point.

The labour which the 100 men supply amounts to x, if x equals their total working-day. The wages they receive will then equal ${}^{2}/_{3}x$. Hence the value of their product equals x, the value of their wages equals $x-{}^{1}/_{3}x$, and the surplus-value made on them is ${}^{1}/_{3}x$.

If the entire product of the labour of 100 men is again laid out in wages, then 150 men can be employed with it and their product will be equal to the wages of 225 men. The labour-time of 100 men is the labour-time of 100 men. But the labour they are *paid for* is the product of 66 $^{2}/_{3}$ men, that is, only $^{2}/_{3}$ of the value embodied in their product. The ambiguity [arises] because it appears as if the 100 men or the 100 working-days (it makes no difference whether they are days calculated over a year or separate days) produce 150 working-days—a product embodying the value of 150 working-days; while, conversely, the value of 100 working-days suffices to *pay for* 150 working-days. If the capitalist continues to employ 100 men as he did previously, then his profit remains the same. He will continue to pay the 100 men a product equal to the labour-time of 66 $^{2}/_{3}$ men and pocket the rest as he did before. If, on the other hand, he bays out the whole product of the 100 men in wages once again, then he *accumulates* and appropriates a new amount of surplus labour equal to 50 working-days instead of only 33 $^{1}/_{3}$ as he did previously.

It is immediately apparent that Ramsay is not clear on the point, since he once again advances against the determination of value by labour-time the otherwise "inexplicable" phenomenon that the *rates of profit* are equal for capitals which exploit different masses of labour-power.

> "The use of fixed capital modifies to a considerable extent the principle that value depends upon quantity of labour. For some commodities on which the same quantity of labour has been expended, require very different periods before they are fit for consumption. But as during this time the capital brings no return, *in order that the employment in question should not be less lucrative than others* in which the product is sooner ready for use, it is necessary that the commodity, when at last brought to

> market, *should be increased in value by all the amount of the profit withheld*. This shews [...] how capital may regulate value independently of labour" (op. cit., p. 43).

It shows rather that capital regulates average prices independently *of the value* of the particular product and that it exchanges commodities not according to their value, but in such a way that one employment of capital "should not be less ||1089| lucrative than others". Since empty tradition is more powerful in political economy than in any other science, Ramsay does not fail either to reproduce the "wine in the cellar"[g] argument which has been notorious since the time of [James] Mill. And he therefore concludes that "capital is a source of value independent of labour" (op. cit., p. 55), whereas the most he would have been justified in concluding was that the surplus-value realised by capital in a particular branch of production does not depend on the quantity of labour employed by that particular capital. |1089||

||1090| This false conception of Ramsay's in this case is all the more surprising since, on the one hand, he grasps *the natural basis*, so to speak, of surplus-value, and, on the other hand, he affirms with regard to one instance that the *distribution of surplus-value—its* equalisation to the general rate of profit—does not increase the surplus-value itself.

[Ramsay says *firstly:*]

> "... profits owe their existence to a[h] law of the material world, whereby the beneficence of nature when aided and directed by the labour and skill of man, gives so ample a return to national industry as to leave a *surplus* of products over and above what is absolutely necessary for replacing in kind the fixed capital consumed, and *for perpetuating the race of labourers employed*" [op. cit., p. 205].

<"*Perpetuating* the race of labourers" ||1091| is a fine result of capitalist production. Of course, if labour only sufficed to reproduce the conditions of labour and to keep the workers alive, no *surplus* would be possible, hence no profit and no capital. But that nature has nothing whatever to do with it and that the race of labourers perpetuates itself despite this *surplus* and that the surplus assumes the form of profit and on this basis, the race of capitalists perpetuates itself has been admitted by Ramsay himself since he declares that "circulating capital", by which he means wages, wage-labour, is not an essential condition of production, but is due merely to the "deplorable poverty of the mass of the people". He does not draw the conclusion that it is capitalist production which "perpetuates" this "deplorable poverty", although he admits it when he says that it "perpetuates the race of labourers" and leaves them only as much as is necessary for that perpetuation. In the sense indicated above it can be said that surplus-value etc. rests on a *natural law*, that is, on the productivity of human labour in its exchange with nature. But Ramsay himself states that a source of surplus-value is the *absolute lengthening of labour-time* (p. 102) as well as the increased productivity of labour brought about by industry.>

> "... let the gross produce be ever so little more than is strictly essential for the above purposes, and the separation of a distinct revenue from the general mass, under the appellation of profit, and belonging to another class of men, becomes possible" (loc. cit., p. 205). "*... the very existence of the former[i] as a distinct class is dependent on the productiveness of industry*" (loc. cit., p. 206).

Secondly, with regard to the equalisation of the rate of profit as a result of the rise in prices in some branches caused by increases in wages, Ramsay observes:

The rise in prices in some branches of industry resulting from increases in wages "... by no means exempted the

master-capitalists from suffering in their profits, nor even *at all diminished their total loss*, but only served *to distribute it more equally among the different orders composing that body*" (op. cit., p. 163).

And if the capitalist whose wine is the product of 100 men (Ramsay's example) sells it for the same price as a capitalist whose commodity is the product of 150 men, in order that "... the employment [of capital] in question should not be less lucrative than others" [p. 43], then it is clear that thereby the surplus-value embodied in the wine and in the other commodity is not increased, but only distributed equally between different orders of capitalists |1091||.

||1089| He also brings up again Ricardo's exceptions [to the determination of value by labour-time]. These latter will have to be discussed in that part of *our* text where we speak of the conversion of value into *price of production*. That is, very briefly, as follows. Provided that in the different branches of production the length of the working—day (insofar as this is not compensated by the intensity of labour, the unpleasantness of the work, etc.) is the same, or rather the surplus labour is the same [as well as] the rate of exploitation, the rate of surplus-value can change only if wages rise or fall. Such variations in the rate of surplus-value, like the rise or fall in wages, will affect the production prices of commodities in different ways according to the organic composition of capital. Capital in which the variable part is large compared to the constant part, would acquire more surplus labour as a result of a fall in wages and would appropriate less surplus labour as a result of a rise in wages than capital with a larger proportion of the constant part to the variable part. A rise or fall in wages would therefore have opposite effects on the rate of profit in the two branches or on the general rate of profit. In order to maintain the general rate of profit, if wages rise, the prices of the first kind of commodities will rise, and

those of the second kind will fall. (Either type of capital will of course be *directly* affected by variations in wages only in proportion to the greater or less quantity of living labour it employs in comparison with the total capital expended.) Conversely, if wages fall, the prices of the first kind of commodities will fall and those of the second kind will rise.

Strictly speaking, all this hardly belongs to the discussion of the original conversion of values into production prices and the original establishment of the general rate of profit, since it is much more a question of how a *general rise or fall in wages* will affect production prices regulated by the general rate of profit.

This problem has even less to do with the difference between fixed and circulating capital. Bankers and merchants employ almost exclusively circulating capital and hardly any variable capital; that is, they lay out relatively small amounts of capital on living labour. Contrariwise, a mine-owner employs incomparably more fixed capital than a capitalist engaged in tailoring. But it is very questionable whether he employs relatively as much living labour. It is merely because Ricardo advanced this special, relatively insignificant case as the *only instance of a divergence* between production price and value (or, as he incorrectly put it, [as] an exception to the determination of value by labour-time) and presented it in the form of a difference between fixed and circulating capital, that this blunder—and in an incorrect form at that—has survived as an important dogma in all subsequent political economy. (The mine-owner should be counterposed not to the tailor but to the banker and the merchant.)

[Ramsay writes:]

> "... the rise of wages [...] is limited by the productiveness of industry. In other words, ...

> a man can never receive more for the labour of a day or year than with the aid of all the other sources of wealth, he can produce in the same time. ... his pay must be less than this, for a *portion of the gross produce* always goes to replace fixed capital" (i.e., *constant capitol*, raw materials and machinery, according to Ramsay) "with its profit" (op. cit., p. 119).

Here Ramsay confuses two things. The amount of "fixed capital" embodied in the daily product is not the product of the day's labour of the worker; in other words, this portion of the *value* of the product represented by a portion of the product in kind is not the product of this day's labour. On the other hand, profit is indeed a deduction from the daily product of the worker or from the value of this daily product.

Although Ramsay has not clearly elaborated the nature of surplus-value and although in particular he remains firmly rooted in the old prejudices with regard to the relation of value and production price and the conversion of surplus-value into average profit, he has on the other hand drawn another, correct ||1090| conclusion from his conception of fixed and circulating capital.

Before coming to this, [here is another passage about "value"]:

> "... *value* must be in proportion not merely to the capital truly consumed, but to that also which continues unaltered, in a word,[j] to the total capital employed" (op. cit., p. 74).

By this he means that profit, and therefore also the production price, must be in proportion [to the total capital employed] whereas the value obviously cannot be altered by that part of the capital which does not enter into the value of the product.

[Ramsay drew the following conclusion from his conception of fixed and circulating capital.]

With the advance of society (i.e., of capitalist production) the fixed portion of capital increases at the expense of the circulating capital, i.e., that laid out in labour. Therefore the demand for labour declines *relatively* as wealth increases or capital is accumulated. In manufacture, the "evils" which the development of the productive forces generate for the workers are temporary, but reappear constantly. In agriculture, they are continuous, especially in connection with the conversion of arable land into pasture. The general result is: with the advance of society, i.e., with the development of capital, here with that of national wealth, the condition of the workers is affected less and less by this development, in other words, it *worsens* relatively in the same ratio as the general wealth increases, i.e., as capital is accumulated, or, what amounts to the same thing, as the scale of reproduction increases. One can see that it is a far cry from this conclusion to the naive conceptions of Adam Smith or the apologetics of vulgar political economy. For Adam Smith, the accumulation of capital is identical with growing demand for labour, continual rise of wages, and *consequently* with a fall of profits. In his time, the demand for labour did in fact grow at least in the same proportion in which capital was accumulated, because manufacture still predominated at that time and large-scale industry was only in its infancy.

[Ramsay says:]

> "... that demand[k] must depend" (directly, immediately) "upon the amount of the latter species of capital alone"[l] (op. cit., p. 87). (This is tautology on Ramsay's part, since he equates circulating capital with capital laid out in wages.) "At every change of this kind,[m] the fixed capital of the country is increased at the expense of the circulating" (loc. cit., p. 89). "... the demand for labour will generally increase as capital augments, still it by no means follows that it will do so in the same proportion"[n] (loc. cit., p. 88). "It is not,

> until, in the progress of industry, favoured by the new inventions, circulating capital shall have become increased beyond what it formerly was,"

<here again the wrong assumption creeps in that an increase of necessaries in general and increase of that portion of necessaries intended for the workers are the same thing>

> "that a greater demand for labour will spring up. Demand will then rise, but not in proportion to the accumulation of the general capital. In countries where industry has much advanced, fixed capital comes gradually to bear a greater and greater proportion to circulating. *Every augmentation, therefore, in the national stock destined for reproduction, comes, in the progress of society, to hove a less and less influence upon the condition of the labourer*" (loc. cit., pp. 90-91). "Every addition to fixed capital, is made [...] at the expense of the circulating", i.e., at the expense of the demand for labour (loc. cit., p. 91).

> "The evils resulting from the invention of machinery, to the labouring population employed in the latter,[o] will probably be but temporary, *liable to be perpetually renewed however*, as fresh improvements are constantly making for economising labour" [loc. cit., p. 91].

And for the following reasons. [*Firstly:*] The capitalists who use the *new machinery* obtain extraordinary profits; consequently their capacity to save and to increase their capital grows. A portion of this is also used as circulating capital. Secondly, the price of the manufactured commodities falls in proportion to the diminished cost of production; thus the consumers save, and this facilitates the accumulation of capital, a portion of which may find its way to the manufacturing industry in question. Thirdly: the fall in the price of these products increases the demand for them.

> "Thus [...] though [...] it[p] may throw out of employment a considerable body of persons, "this" will yet probably be followed, after a longer or shorter period, by the re-engagement of the same, or even a much greater number of labourers" (loc. cit., pp. 92-93).
>
> "... in agriculture the case is widely different. The demand for raw produce cannot increase in that rapid way in which it may for manufactured goods... But the change of all others most fatal[q] to the country people is the conversion of arable land into pasture... Almost all the funds which formerly supported men, are now vested in cattle, sheep and other elements of fixed capital" (loc. cit., p. 93). |1090||

||1091| Ramsay remarks correctly:

> "*Wages* ... as well as *profits*, are to be considered each of them as really a *portion of the finished product*, totally distinct in the national point of view from the cost of raising it" (op. cit., p. 142).
>
> "Independent of its results, it" (fixed capital) "is a pure loss... But, besides this, labour ... not what is paid for it, ought to be reckoned as[r] another element of cost of production, Labour is [...] a sacrifice [...] The more of it is expended in one employment, the less ... for another, and therefore if[s] applied to unprofitable undertakings ... the nation suffers from the waste of the principal source of wealth... the *reward of labour* ought not to be considered as[t] an element of cost" ... (loc. cit., pp. 142-43).

(This is quite right: *labour*, and not *paid* labour or wages, must be considered as an element of value.)

Ramsay describes the *real* reproduction process correctly:

> "In what manner is a comparison to be instituted between[u] the product and the

> stock expended upon it?... With regard to a whole nation... It is evident that *all the various elements of the stock expended* must be *reproduced* in some employment or another, otherwise the industry of the country could not go on as formerly. The raw material of manufactures, the implements used in them, as also in agriculture, the extensive machinery engaged in the former, the buildings necessary for fabricating or storing the produce, must all be parts of the total return of a country, as well as of the advances of all its master-capitalists. Therefore, the quantity of the former may be compared with that of the latter, each article being supposed placed as it were beside that of a similar kind" (loc. cit., pp. 137-39).

As regards the individual capitalist

<this is a false abstraction. The nation does not exist, or exists only as the capitalist class, and the whole class operates in exactly the same way as the individual capitalist. The two methods of approach differ from one another only in that one clings to and isolates use-value, the other exchange-value>

> since the stock expended by him is not *replaced* in kind, because "the greater number [of its elements] must be obtained by exchange, a certain portion of the product being necessary for this purpose. Hence each individual master-capitalist comes to look much more to the exchangeable value of his product than to its quantity" (loc. cit., pp. 145-46).[v]

> ||1092| "... the more the *value of the*[w] *product exceeds the value of the capital advanced, the greater will be his profit*. Thus, then, will he estimate it, by comparing value with value, not quantity with quantity. This is the first difference to be remarked in the mode of reckoning profits between nations and individuals" (loc. cit., p. 146).

<The nation too—if it is not supposed to be identical with the body of capitalists—can so far compare value with value. It can calculate the total labour-time which it has to expend to replace the used-up part of its constant capital and the part of the product consumed individually, and the time of labour spent in producing a surplus designed to enlarge the scale of reproduction.>

> "The second is, that, since the master-capitalist always makes an advance *of wages* to the labourers, *instead of paying them out of the finished commodity*, he considers this as well as the fixed capital consumed, a part of his expenses, though [...] nationally speaking, it is not[x] an element of cost" (loc. cit., p. 146).

<This difference too disappears in fact in the process of reproduction as a whole. The capitalist always pays *out of the finished commodity*, that is to say, out of the commodity finished by the labourer yesterday he pays his wages tomorrow, or in point of fact, he gives him, in the form of wages, only an assignation of products to *be finished in future* or *almost produced, i.e.*, finally produced by the time they are bought. The *advance* disappears as a mere illusion in reproduction, i.e., in the continuity of the process of production.>

> "Hence his rate of profit will depend upon the excess in the value of his product over and above the value of the capital advanced, both fixed and circulating" (loc. cit., p. 146).

<This is likewise true in a "national point of view". His profit always depends on what he himself pays for the product, whether finished or not, when he pays wages.>

Ramsay has the merit, firstly, that he contradicts the false notion—current since Adam Smith—of the value of the whole product dissolving into revenue under different names; secondly, that he defines the rate of profit in two ways, [once] by the rate of wages, i.e., the rate of surplus-

value, and a second time, by the value of the constant capital. But he transgresses in the opposite direction to Ricardo. Ricardo arbitrarily seeks to equalise the rate of profit and the rate of surplus-value. On the other hand, the twofold determination of the rate of profit—1) by the rate of surplus-value (hence by the rate of wages) and 2) by the ratio of this surplus-value to the total capital advanced, that is, in fact determined by the ratio of the constant capital to the total capital—is irrationally presented by Ramsay as two parallel circumstances which determine the rate of profit. He does not grasp the transformation which surplus-value undergoes before it becomes profit. Whereas therefore Ricardo arbitrarily seeks to reduce the rate of profit to the rate of surplus-value in order to work out the theory of value consistently, Ramsay seeks to reduce surplus-value to profit. We shall see later that the way he describes the influence of the value of constant capital on the rate of profit is very inadequate, and even incorrect.

[Ramsay writes:]

> "Profit [...] must rise or fall exactly as the *proportion* of the gross produce, or of *its value*, required to replace necessary advances, falls or rises... Therefore, the rate of profit must depend [...] upon two circumstances; first, the proportion of the whole produce which goes to the labourers; secondly, the proportion which must be set apart for replacing, *either in kind or by exchange*, the fixed capital" (loc. cit., pp. 147-48).

In other words, therefore, the rate of profit depends on the excess of the value of the product over the sum of circulating and fixed capital; hence on the proportion which, firstly, the circulating capital, and, secondly, the fixed capital bear to the value of the whole produce. If we know where this *surplus* comes from, then the whole matter is very simple. But if we only know that the profit depends on the *ratio* of the surplus to these outlays, then

we can acquire the most inaccurate notions about the origin of this surplus, for example we can, like Ramsay, imagine that it originates in part in fixed (constant) capital.

> ||1093| "To me it seems certain,[y] that an increased facility of raising the various objects which enter into the composition of fixed capital, tends, by diminishing this proportion,[z] to raise the rate of profit, just as in the former case of an augmented return of the elements of circulating capital, which serves to maintain labour" (op. cit., p. 164).

With regard to the tenant farmer, for example:

> "... be the [amount of gross] return small or great, the quantity of it required for replacing what has been consumed in these different forms, can undergo no alteration whatsoever, This quantity must be considered as *constant, so long as production is carried on on the some scale*. Consequently, *the larger the total return*, the less must be the proportion of the whole which the farmer must set aside for the above purposes" (loc. cit., p. 166).
>
> The more easily the farmer who produces food and raw materials such as flax, hemp, wood, can reproduce them, [the more] his profit will increase.[aa]
>
> The farmer's profit [increases] as a result of the *increase in the quantity* of his produce, *the total value of which remains the same*, but "a smaller proportion of this sum total, and consequently of its value, is required for restoring the various elements of fixed capital, with which *the farmer can supply himself;*" while the manufacturer would benefit because his product would have a greater purchasing power (loc. cit., pp. 166-67).

Let us assume that the harvest amounts to 100 quarters and the seed corn to 20, that is, a fifth of the harvest. Let us assume further that the harvest is doubled the

following year (with the expenditure of the same amount of labour) and now comes to 200 quarters. If the scale of production remains the same, then the amount of seed corn remains 20 quarters as previously, but this is now only one-tenth of the harvest. One has to take into account however that the value of the 100 quarters [previously harvested] is equal to that of the 200 quarters [now obtained], therefore one quarter of the first harvest is equal to two quarters of the second. 80 quarters remain over in the first case, 180 in the second. Since wages are irrelevant to the present problem, which concerns the influence that a change in the value of constant capital exerts on the rate of profit, let us assume that the value of wages remains unchanged. Then, if wages were 20 quarters in the first case, they are 40 in the second. Finally, let us assume that the value of the other ingredients of constant capital which the farmer does not reproduce in kind amounted to 20 quarters in the first case and therefore to 40 in the second.

We now have the following calculation:

1) *The product* amounts to 100 quarters. *The seed corn* to 20 quarters. *The other elements of constant capital* come to 20 quarters, *wages* to 20 quarters, *profit* to 40 quarters.

2) *The product* amounts to 200 quarters. The *seed corn* to 20 quarters. *The other elements of constant capital* come to 40 quarters, *wages* to 40 quarters and *profit* to 100 quarters; i.e., its value is equal to 50 quarters in the first case. There would therefore be a surplus profit of 10 quarters [in the second case].

Thus not [only] the rate of profit, but also the amount of profit, would have increased here, as a result of a change in the value of constant capital. Although wages remained the same in both 1 and 2, the ratio of profit to wages, that is, the rate of surplus-value, would have

risen. But this is only an illusion. The profit would consist firstly of 80 quarters, equal to 40 quarters in case 1, and the ratio to wages would remain the same; secondly, [in case] 2, of 20 quarters, equal only to 10 quarters in the first case, which would have been converted into revenue from constant capital.

But is this calculation correct? We must assume that the result in the second case was due to a successful harvest which came about although work was carried on in the same conditions as prevailed in the first case. In order to clarify the matter, let us assume that 1 quarter equals £2 in the first case. This means that for the harvest which has yielded him 200 quarters, the farmer has laid out: 20 quarters for seed corn (or £40), 20 quarters for other elements of constant capital (or £40), 20 quarters for wages (or £40). *A total* of £120, and the product amounts to 200 quarters. In the first case he likewise laid out only £120 (60 quarters) and the product amounting to 100 quarters was worth £200. The profit remaining was £80, or 40 quarters. Since the 200 quarters [in case 2] are the product of the same amount of labour [as the 100 quarters in case 1], then once again they are likewise equal to only £200. Thus, only £80 profit remains, which is now, however, equal to 140 quarters. Consequently, a quarter now [costs the farmer] only £ $^{4}/_{7}$ and not £1. In other words, the value of a quarter has fallen from £2 to £$^{4}/_{7}$, that is, by £1$^{3}/_{7}$, and not from [£2] to [£1], that is, by a half as we assumed above in [case] 2 as opposed to [case] 1.

The farmer's total product amounts to 200 quarters, that is, £200. But £120 out of this £200 replaces the 60 quarters which he has expended, each one of which cost him £2. There thus remains a profit of £80 which is equal to the remaining 140 quarters. How does this happen? The quarter is now worth £1, but each of the 60 quarters expended in production cost £2. They cost the farmer as much as if he had expended 120 of the new

quarters. The remaining 140 quarters are worth £80, or no more than the remaining 40 were worth previously. It is true that he sells each of the 200 quarters for £1 (if he sells his total product) and receives £200 for them. But of the 200 quarters, 60 have cost him £2 each, the remaining quarters therefore only yield him £$^{4}/_{7}$ each.

If he now again lays out 20 quarters [for seed] (equal to £10 [if one reckons 10s. for a quarter]), 40 quarters for wages (equal to £20), and 40 quarters for the other elements of constant capital (equal to £20), that is, a total of 100 quarters instead of 60 as previously and he harvests 180 quarters, then these 180 quarters have not the same value as did the 100 previously [if one reckons £1 for a quarter]. True, he has employed as much living labour as he did previously, and consequently the ||1094| value of the variable capital has remained the same and so has the value of the surplus product. But he has laid out less materialised labour, since the 20 quarters, which were worth £20 previously, are now worth only £10.

The account will therefore work out as follows:

	Constant capital	**Variable capital**	**Surplus-value**
1)	20 qrs. seed corn=£20 20 qrs. implements, etc. = £20	20 qrs. (£20)	40 qrs. (£40)
2)	20 qrs. [seed corn] = £10 40 qrs. [implements, etc.] = £20	40 qrs. (£20)	80 qrs. (£40)

In the first case the product comes to 100 qrs., or £100. In the second case the product comes to 180 qrs., or £90.

Nevertheless the rate of profit would have risen [despite the fall in the value of the product], for in the first case the return on an outlay of £60 was £40 and in the second it was £40 for an outlay of £50. In the first case it amounted to 66 $^{2}/_{3}$ per cent, in the second to 80 per cent.

Anyhow, the rise in the *rate of profit* is not due to the *value* remaining unchanged, as Ramsay supposes. Since one part of the labour expended, i.e., the part contained in the constant capital (in seeds in this case), has diminished, the value of the product falls if *production* continues on *the same scale*, just as the value of 100 lbs. of twist falls if the cotton it is made of becomes cheaper. But the ratio of variable to constant capital increases (without the *value* of the variable capital increasing). In other words, the ratio of the total capital outlay declines in relation to the surplus. Hence the rate of profit rises.

If what Ramsay says were correct, if the value remained the same, then the *profit*, the amount of profit, and consequently also the rate of profit, would rise. There can be no question of a rise merely in the rate of profit.

The question [of the influence of a change in the value of constant capital on the rate of profit] is not however disposed of for the special case [where a part of the constant capital is replaced in kind]. In agriculture this special case takes the following form.

A certain amount of seed corn at the *old price of the product* figures in the harvest, this part is incorporated in the harvest in kind. The other expenses are defrayed by the sale of the corn at its old price. The old outlay yields a product which is twice as big as before. Thus, in the above-mentioned case, for example, where 20 quarters are used as seed corn (equal to £40) and the other outlays amount to 40 quarters, equalling £80, the harvest yields 200 quarters and not, as the previous harvest, 100

quarters (worth £200), of which 40 quarters, equalling £80, were profit on an outlay of 60 quarters costing £120. The outlay in connection with this second harvest is absolutely the same as it was in the first—60 quarters, the value of which is £120, but instead of a surplus of 40 quarters, the surplus is now 140 quarters. The surplus in kind has in this case increased considerably. But because the labour expended is the same in both cases, the 200 quarters have no greater value than did the 100, that is, £200. In other words the value of the quarter has fallen from £2 to £1. But since there was a surplus of 140 quarters, it seemed that it had to come to £140, for one quarter is worth just as much as any other.

The matter would be simplified if we considered it first of all without regard to the reproduction process, that is if we assumed that the tenant farmer was withdrawing from the business and selling his whole product. Then he would indeed have to sell 120 quarters to recover his outlay of £120 (to reimburse himself). In this way he would recover his capital outlay. Thus a surplus of 80 quarters would remain, and not of 140, and since these 80 quarters are equal to £80, they are worth in absolute terms as much as the surplus in the first case.

In the course of the *reproduction* process, however, the matter is altered to a certain extent. For the farmer replaces the 20 quarters of seed corn in kind out of his own product. [As far as their value is concerned] they are replaced by 40 quarters in the [new] product. But in the reproduction process he only needs to replace them with 20 quarters in kind, as was the case previously. The rest of his expenditure [expressed in quarters] increases in the same ratio as the quarter is devalued (provided wages do not fall). To replace the remaining portion of constant capital, the farmer now needs 40 quarters and not 20 as previously, and to replace wages he also needs 40 quarters instead of 20. Altogether he must now lay out 100 quarters, compared to 60 quarters previously; but he

need not lay out 120 quarters, the amount corresponding to the depreciation of the corn, because the 20 quarters used [as seed] which were worth £40, are replaced by 20 [quarters] (since in this context only their use-value matters) which are worth [£] 20. So evidently he has made a gain ||1095| of these 20 qrs., now worth £20. His surplus is therefore not £80 but £100, not 80 qrs., but 100. (Expressed in quarters of the old value, not 40 quarters but 50.) This is an unquestionable fact, and if the market price does not fall as a result of abundance, the farmer can sell 20 quarters more at the new value, thus gaining £20.

In the course of *reproduction*, moreover, the farmer obtains this surplus of £20 on the same outlay, because labour has become more productive without the rate of surplus-value having risen or the workers having performed more surplus labour than previously or having received a smaller portion of the *reproduced part* of the product (which represents living labour). On the contrary, it is assumed that in the reproduction process the worker receives 40 quarters, whereas he received only 20 previously. This then is a rather peculiar phenomenon. It does not occur without reproduction, but it takes place in connection with it and it takes place [moreover] because the farmer replaces a part of his advances in kind. Not only the rate of profit could increase in this case, but the amount of profit as well. (With regard to the reproduction process itself, the farmer can either carry on on the old scale, in which case the price of the product will fall if he again obtains as good a harvest, because a portion of the constant capital has cost less, but the rate of profit will rise; or the farmer can increase the scale of production, sow more with the same outlay, and then both the rate of profit and the amount of profit will rise.)

Let us [now] consider the manufacturer. Let us assume that he has laid out £100 in cotton twist and made a profit

of £20. The product therefore amounts to £120. It is assumed that £80 out of the outlay of £100 has been paid for cotton. If the price of cotton falls by half, he will now need to spend only £40 on the cotton and £20 on the rest, that is £60 in all (instead of £100) and the profit will be £20 as previously, the total product will amount to £80 (if he does not increase the scale of his production). £40 thus remains in his pocket. He can either spend it or invest it as additional capital. If he invests it, he will lay out [an additional] £26 $^{2}/_{3}$ on cotton and £13 $^{1}/_{2}$ on labour, etc., on the new scale. The profit [will amount to] £13 $^{1}/_{3}$. The total product will now be 60+40+33 $^{1}/_{3}$, or £133 $^{1}/_{3}$.

Thus it is not the fact that the farmer replaces his seed corn in kind which is the key, for the manufacturer buys his cotton and does not replace it out of his own product. What this phenomenon amounts to is this: release of a portion of the capital previously tied up in constant capital, or the conversion of a portion of the capital into revenue. If exactly the same amount of capital is laid out in the reproduction process as previously, then it is the same as if additional capital had been employed on the old scale of production. This is therefore a kind of accumulation which arises from the increased productivity of those branches of industry which supply the productive ingredients of capital. However, such a fall in the [price of] raw materials, if due to the seasons, is counteracted by unfavourable seasons, in which the prices of raw materials rise. The capital released in this way in one or several seasons is, therefore, to a certain extent, reserve capital for the other seasons. For instance, the manufacturer whose [fixed capital] turns over once every twelve years, must arrange things in such a way that he can continue to produce—at least *on the same scale* throughout the twelve years. One has therefore to take into account that the *prices* [of the raw materials] he

has *to replace* fluctuate and even themselves out to a certain extent over a long period of years.

A rise in prices of the ingredients [of constant capital] has the opposite effect to a fall of the prices. (We are leaving variable capital out of account here, although if wages fall, less variable capital—in terms of value—will need to be laid out, and if they rise more.) If production is to be continued on the old scale, then a greater outlay of capital is necessary. Therefore, apart from a fall in the rate of profit, extra capital must be employed or a part of the revenue must be converted into capital, although it will not have the effect of additional capital.

Accumulation has taken place in the one case although the value of the capital advanced has remained the same (but its material elements have been increased). The rate of creating surplus-value increases, and the absolute magnitude of profit increases, because the effect is the same as if additional capital had been advanced on the old scale. *Accumulation* has taken place in the other case insofar as the value of the capital advanced, i.e., that part of the value of the total output which functions as capital, has increased, But the material elements *have not been* increased. The rate of profit falls. (The amount of profit only falls if either a different number of workers is employed or if their wages rise as well.)

This phenomenon of the conversion of capital into revenue should be noted, because it creates the *illusion* that the amount of profit grows (or in the opposite case decreases) independently of the amount of surplus-value. We have seen that, under ||1096| certain circumstances, a part of rent can be explained by this phenomenon.

In the way mentioned above (that is, if the remaining 20 quarters worth £20 are not used immediately to extend the scale of production, i.e., if they are not

accumulated), a money capital of £20 is set free. This is an example of how *redundant money capital* can be extracted from the reproduction process although the aggregate value of commodities remains the same, namely, by a portion of the capital which existed previously in the form of fixed (constant) capital being converted into money capital.

How little the above phenomenon [conversion of a portion of the capital into revenue] has to do with Ramsay's determination of the *rate of profit*, becomes clear if one considers the case of a farmer (or manufacturer) who enters business under the new conditions of production. Formerly he needed £120 to enter the business: £40 to buy 20 quarters of seeds, £40 to buy the other ingredients of constant capital, and £40 to pay wages. And his profit was £80. 80 on 120 is equal to 8 on 12, or 2 on 3, or 66 $^{2}/_{3}$ per cent.

He now has to advance £20 to buy 20 quarters of seed, £40 as previously [to buy the other elements of constant capital], £40 to pay wages, so that his outlay of capital amounts to £100. His profit is [£]80, that is, 80 per cent. The amount of profit has remained *the same*, but the *rate* of profit has increased by 20 per cent. Thus one can see that the fall in the value of seed (or of the price which has to be paid to *replace* the seed) has in itself nothing to do with the increase in [the amount of] profit, but implies merely an increase in the rate of profit.

Moreover, the farmer in the one case—or the manufacturer in the other—will not consider that he has obtained a larger profit, but that a portion of the capital previously tied up in production has been freed. And his view will be based on the following simple calculation. Previously, the amount of capital advanced in production was £120; now it is £100, and £20 is now in the hands of the farmer as free capital, money which can be invested in any way he likes. But in either case the

capital amounts to £120 only, its size has therefore not been increased. The fact, however, that a sixth of the capital has been divested of the form in which it is inseparable from the production process does indeed have the same *effect* as an additional investment of capital.

Ramsay has not got to the bottom of this matter because he has not at all clearly worked out the relationship between value, surplus-value and profit.

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Ramsay correctly expounds to what extent machinery, etc., insofar as it affects variable capital, influences profit and the rate of profit. That is to say, he shows that this influence results from the depreciation of labour-power, the increase of relative surplus labour or, if the production process is considered as a whole, also the reduction of the part of the gross return which goes to replace wages.

> "... an increased or diminished productiveness of the industry employed in raising commodities which do not enter into the composition of fixed capital, can have no influence on the rate of profit, except by affecting the proportion of the gross amount which goes to maintain labour" (op. cit., p. 168).
>
> If[bb] the manufacturer has doubled his output as a result of improvements in machinery, the value of his goods must, in the end, fall in the same proportion as their quantity has increased.

<It is assumed that in fact, taking the wear and tear of the machinery into account, twice the quantity costs no more than half did previously. If this is not the case, the value of the commodity falls, but not *in proportion* to its quantity. Its quantity may double and, whereas the value

of the aggregate product rises, the value of a unit of the commodity, may drop only from 2 to 1 1/4, etc., instead of from 2 to 1.>

> ...the manufacturer benefits only insofar as he is able to clothe the worker more cheaply so that a smaller portion of the gross return goes to the worker... The farmer too benefits <as a result of the increased industrial productivity> only insofar as n portion of his outlay is expended on clothing for the labourers and he can buy this more cheaply now; that is, [he benefits] in the same way as the manufacturer (loc. cit., pp. 168-69).

A fall [or rise] in the value of the elements of constant capital affects the rate of profit by altering the *ratio of surplus-value* to the total capital outlay. A fall (or rise) in wages, on the other hand, affects the rate of profit by influencing the *rate of surplus-value* directly.

Supposing for example, that, in the above-mentioned case, the price of the seed (assuming the farmer grows flax) remains the same, that is, £40 (20 quarters) and the rest of the constant capital costs £40 (20 quarters) as before, but that wages—that is, wages for *the same* number of workers—fall from £40 to £20 (from 20 quarters to 10 quarters). In this case, the total *value*, which is equal to the wages plus surplus-value, remains unchanged. Since the number of workers remains the same, their labour is embodied in a value of £40+£80, i.e., £120, as it was previously. But from this £120, £20 now goes to the workers and the surplus-value now amounts to £100. <It is assumed that no improvements have taken place which affect the number of labourers employed in this branch.>

The capital advanced is now £100 instead of £120 just as in the case where the value of the seed fell by half. But the profit is now £100, i.e., 100 per cent, whereas in the other case, where the capital advanced was likewise

reduced from £120 to £100, it was 80 per cent. And as in that other case £20, or a sixth of the capital ||1097|, is set free. But in the former case, the surplus-value remained unchanged—£80—(and since £40 was paid as wages, [the rate of surplus-value] was 200 per cent). In the latter case, the surplus-value rises to £100 (and, since wages now come to £20, [the rate of surplus-value increases] to 500 per cent).

In this case, not only has the rate of profit risen but the *profit* itself, because the rate of surplus-value has risen and consequently the surplus-value itself. This differentiates this case from the other, something which Ramsay does not grasp. This always takes place when the increase in profit is not nullified by a corresponding reduction in the rate of profit resulting from a simultaneous change in the value of constant capital. In the above-mentioned case for example, the capital outlay is £120 and the profit £80, that is, 66 $^{2}/_{3}$ per cent. In the present case, the capital outlay is £100 and the profit £100, which works out at 100 per cent. If, however, the capital outlay had risen from £100 to £150 as a result of a change in the price of constant capital, then the profit—which has increased from £80 to £100—would only give a rate of 66 $^{2}/_{3}$ per cent.

[Ramsay continues]

> Because these commodities "help to make up neither fixed capital nor circulating, it follows that profit can in no way be affected by any alteration in the facilities for raising these. Such are luxuries of all kinds" (loc. cit., pp. 169-70).
>
> "Master-capitalists gain by the abundance" (of luxuries) "because their profits will command a greater quantity for their private consumption; but the rate of this profit is in no degree affected either by their plenty or scarcity" (loc. cit., p. 171).

First of all, a portion of the luxuries can be used as one of the elements of constant capital. Grapes, for example, in [the production of] wine, gold in luxury articles, diamonds in glass cutting, etc. But Ramsay excludes this case insofar as he says: commodities which do not enter into fixed capital. In that case, however, the concluding sentence—"Such are luxuries of all kinds", is incorrect.

However, productivity in the luxury industries can only increase in the same way as it does in all others—either because natural resources such as the land, mines, etc., from which the raw materials for the luxury industries are procured, become more productive, or new, more productive sources are discovered; or again by application of the division of labour, or, especially, by the use of machinery (or of better tools) and of natural forces. <The improvement of tools, as well as the production of more specialised ones, belongs to the *division of labour*.> (One should not forget *chemical processes*.)

Let us now assume that the production time for luxuries is reduced due to machinery (or chemical processes), that less labour is required to produce them. This cannot have the slightest influence on wages, on the *value* of labour-power, since these articles do not enter into the consumption of the workers (at least never into that part of their consumption which determines the value of their labour-power). (It can influence the *market price* of labour, if workers are thrown onto the streets as a result of these developments and the supply of labour-power is thereby increased.) Increased productivity in the luxury industries, therefore, has no influence on the rate of surplus-value nor, consequently, on the rate of profit insofar as this is determined by the rate of surplus-value. Nevertheless, it can influence the rate of profit insofar as it affects either the *amount* of surplus-value or the ratio of variable capital to constant capital and to the total capital.

If for example, [in the production of luxury articles] machinery makes it possible to employ 10 workers where 20 were previously employed, then, indeed the rate of surplus-value is not modified in any way. The cheapening of luxury articles does not enable the worker to live more cheaply. He requires the same amount of labour-time to reproduce his labour-power as he did previously.

<In practice, therefore, the manufacturer of luxury articles seeks to depress the wages of labour below its value, [below] its minimum. This he is able to do because of the *relative surplus population* engendered by increasing productivity in other branches of industry, for example among knitters. Or—as likewise happens in these branches—he seeks to extend the *absolute labour-time*, thus, in fact, producing *absolute surplus-value*. It is correct, however, that *productivity* in the luxury industries cannot reduce the *value* of labour-power, it cannot produce any relative surplus-value and, in general, cannot produce *that form* of surplus-value which results from the *growing productivity* of industry *as such*.>

The amount of surplus-value is determined in two ways. [First,] by the rate of surplus-value, that is, the surplus labour (absolute or relative) of the individual workers. Secondly, by the number of workers simultaneously employed. Insofar therefore as increasing productivity in the luxury industry reduces the *number of workers* which a certain quantity of capital employs, it reduced the *amount of surplus-value*, hence all other circumstances remaining unchanged, it reduces also the *rate of profit*. The same thing occurs if the number of workers is reduced, or remains the *same*, but the capital laid out on machinery and raw materials is increased; in other words, it occurs wherever there is any diminution in the ratio of variable capital to the total capital which [according to our assumption] is not balanced or partially offset by a reduction in wages. But

since the rate of profit in this sphere ||1098| enters into the equalisation process of the general rate of profit just as much as that in any other sphere, increased productivity in the luxury industry would, in the case under consideration, bring about a fall in the general rate of profit.

Conversely: If the increased productivity in the luxury industry was [due to improvements carried out not in that industry itself, but] in those branches of industry which provide it with constant capital, then the rate of profit would rise in the luxury industry.

<*Surplus-value* (that is, its size, its quantity, its total amount) *is* determined by the rate of surplus-value multiplied by the number of workers employed. Certain circumstances may affect both factors simultaneously either in the same direction or in opposite directions, or they may affect only one of the factors. Apart from the absolute lengthening of the working-day, increased productivity in the luxury industry can affect only the number [of workers employed]. The inevitable consequence therefore is a reduction in the amount of surplus-value and hence in the rate of profit, even if no increase in constant capital takes place. If the constant capital increases, however, a reduced amount of surplus-value is calculated on an increased total capital.>

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Ramsay comes closer to a correct understanding of the rate of profit than the others. The shortcomings too are therefore more conspicuous in his exposition. He brings out all the factors involved, but he does it one-sidedly and therefore incorrectly.

Ramsay sums up his view of profit in the following passage:

> "... the causes which regulate the rate of profit in individual cases [...] we have found to be,[cc] 1) The Productiveness of the Industry engaged in raising those articles of primary[dd] necessity which are required by the Labourer for Food, Clothing, etc. 2) The Productiveness of the Industry employed in raising those[ee] objects which enter into the composition of Fixed Capital. 3) *The rate of Real Wages*"

<here this must mean the quantity of necessaries, etc., which the worker receives, irrespective of the price of the commodities which that quantity comprises>.

> "A variation in the first and third of these causes, acts upon profit by altering the proportion of the gross produce which goes to the labourer: a change in the *second* affects the same, by modifying the proportion necessary for replacing, either *directly* or *by means of exchange*, the fixed capital consumed in production; for [...] profit is essentially a question of proportion" (loc. cit., p. 172).

He rightly reproaches Ricardo (although Ramsay's own presentation is also inadequate):

> "Mr. *Ricardo* [...] seems always to consider the whole produce as divided between wages and profits, forgetting the part necessary for replacing fixed capital"[ff] (loc. cit., p. 174, note).

***

<It can already be noted in the first description of accumulation, i.e., of the conversion of surplus-value into capital, that the entire surplus labour takes the form of *capital* (constant and variable) and of *surplus labour* (profit, interest, rent). For this conversion reveals that surplus labour itself assumes the form of capital and that the unpaid labour of the worker confronts him as the *totality of the objective conditions of labour*. In this

form it confronts him as alien property with the result that the capital which is antecedent to his labour, appears to be independent of it. [It appears] as a ready-made value of a given magnitude, whose value the worker merely has to augment. It is never the product of his past labour (nor any circumstances which, *independently of the particular labour process* into which the past labour of his enters, affect or increase its value) which, or the replacement of which, appears as exploitation, but it is always merely the manner and the rate in which his present labour is exploited. As long as the individual capitalist continues to operate on the same scale of production (or on an expanding one), the replacement of capital appears as an operation which does not affect the worker, since, if the means of production belonged to the worker, he would likewise have to replace them out of the gross product in order to continue reproduction on the same scale or on an expanded scale (and the latter too is necessary because of the natural increase of population). But this affects the worker in three respects. 1) The perpetuation of the means of production as property alien to him, as capital, perpetuates his condition as wage-worker and hence his fate of always having to work part of his labour-time for a third person for nothing. 2) The extension of these means of production, alias accumulation of capital, increases the extent and the size of the classes who live on the surplus labour of the worker; it worsens his position *relatively* by augmenting the relative wealth of the capitalist and his co-partners, by further increasing his relative surplus labour through the division of labour, etc., and reduces that part of the gross product which is used to pay wages; finally, since the conditions of labour confront the individual worker in an ever more gigantic form and increasingly as social forces, the chance of his taking possession of them himself as is the case in small-scale industry, disappears.>

[3. Ramsay on the Division of "Gross Profit" into "Net Profit" (Interest) and "Profit of Enterprise". Apologetic Elements in His Views on the "Labour of superintendence", "Insurance Covering the Risk Involved" and "Excess Profit"]

||1099| Ramsay uses the term *gross profit* for what I call simply profit. He divides this *gross profit* into *net profit* (interest) and *profit of enterprise* (industrial profit).*

Ramsay, like Ricardo, takes issue with Adam Smith on the question of the *fall in the general rate of profit*. Refuting Smith, he writes:

> "Competition of the master-capitalists" can indeed even out profits which rise considerably above "the ordinary level" (this levelling is by no means a sufficient explanation for the formation of a general rate of profit) but it is wrong to say that *this ordinary level itself is lowered*.[gg]
>
> "... could we suppose it[hh] possible that the Price of every commodity, both raw and fabricated, should fall in consequence of the competition among the producers, yet this could not in any way affect profit. Each master-capitalist would sell his produce for less money, but on the other hand, every article of his expenses, whether belonging to fixed capital or

> to circulating, would cost him a proportionally smaller sum" (op. cit., pp. 180-81).

The following passage is directed *against Malthus:*

> "The idea of profits being p aid by the consumers, is, assuredly, very absurd. Who are the consumers? They must be either landlords, capitalists, masters, labourers, or else people who receive a salary..." (loc. cit., p. 183).

> "*The only competition* which can *affect the general rate of gross profits*, is that between master-capitalists and labourers..." (op. cit., p. 206).

The last sentence expresses the true gist of Ricardo's proposition. The rate of profit can fall independently of the competition between capital and labour, but *this* is the *only kind of competition* which can bring about its decrease. Ramsay himself, however, does *not* advance *any* reasons why the general rate of profit has a tendency to fall. The only thing he says—and which is correct—is that the *rate of interest* can fall quite independently of the rate of gross profits in a given country, namely:

> "But were we even to suppose, that capital was never borrowed with any view but to productive employment [I think] it very possible that interest might vary without any change in the rate of gross profits. For, as a nation advances in the career of wealth, a class of men springs up and increases more and more, who by the labours" (exploitation, robbery) "of their ancestors find themselves in the possession of funds sufficiently ample to afford a handsome maintenance from the interest alone. Very many also who during youth and middle age were actively engaged in business, retire in their latter days to live quietly on the interest of the sums they have themselves accumulated. This class[ii] [...] has a tendency to increase with the increasing riches of the country, for those who begin with a tolerable stock are likely to make an

> independence sooner than they who commence with little. Thus it comes to pass, that[jj] in old and rich countries, the amount of national capital belonging to those who are unwilling to take the trouble of employing it themselves, bears a larger proportion to the whole productive stock of the society, than in newly settled and poorer districts.[kk] How [...] numerous [is] the class of rentiers [...] in England [...] As the class of *rentiers* increases, so also does that of lenders of capital, for they are one and the same. Therefore, from this cause interest must have a tendency to fall in old countries..." (loc. cit., pp. 201-02).

Ramsay says the following about the *rate of net profit* (interest):

> "The rate of these" [profits] "must depend,[ll] partly upon the rate of gross profits [...] partly on the proportion in which these are separated into profits of capital and those of enterprise.[mm] This proportion [...] depends upon the competition between the lenders of capital and [...] borrowers [...], which competition[nn] is influenced, though by no means entirely *regulated*, by the rate of gross profit expected to be realised, And the [...] competition is not exclusively regulated by this cause [...] because on the one hand many borrow without any view to productive employment; and [...] because *the proportion of the whole national capital to be lent, varies with the riches of the country independently of any change in gross profits*" (loc. cit., pp. 206-07). "*The profits of enterprise depend upon the net profits of capital* not the latter upon the former" (loc. cit., p. 214).

||1100| Apart from the circumstance mentioned earlier, Ramsay says—rightly:

> Interest is only a measure of net profits where the level of civilisation is such that the "want of certainty" of repayment is not a factor which enters into the calculation.[oo] "In England, for instance, at the present day, we

> cannot, I think, consider[pp] compensation for risk as at all entering into the interest received from funds lent on what would be cabled good security" (op. cit., p. 199, note).

Speaking of the *industrial capitalist*, whom he calls the master-capitalist, Ramsay remarks:

> "He is the general distributor of the national revenue; the person who undertakes to pay[qq] [...] to the labourers, the wages, [...]—to the capitalist, the interest [...]—to the proprietor, the rent [...] On the one hand are masters, on the other, labourers, capitalists and landlords [...] The interests of these two grand classes are diametrically opposed to each other. It is the master who *hires* labour, capital, and land, and of course tries to get the use of them on as low terms as possible; while the owners of these sources of wealth do their best to *let* them as high as they can" (op. cit., pp. 218-19).

Industrial profit. (Labour of superintendence.)

What Ramsay writes about *industrial profit* (and especially, about the labour of superintendence) is on the whole the most reasonable part of his book, although part of his demonstration is borrowed from *Storch*.

The exploitation of labour costs labour. Insofar as the labour performed by the industrial capitalist is rendered necessary only because of the contradiction between capital and labour, it enters into the cost of his overseers (the industrial non-commissioned officers) and is already included in the category of wages in the same way as costs caused by the slave overseer and his whip are included in the production costs of the slave-owner. These costs, like the greater part of the trading expenses, belong to the incidental expenses of capitalist production. As far as the general *rate of profit* is concerned, the labour of the capitalists arising from their competition with one another and their attempts to ruin one another counts

just as little as the greater or lesser skill of one industrial capitalist compared to another in extracting the largest amount of surplus labour from his workers for the smallest expenditure and making the best use of this extracted surplus labour in the process of circulation. These matters should be dealt with in the analysis of the competition of capitals. Such an analysis deals in general with the struggle of the capitalists and their effort to acquire the greatest possible amount of surplus labour and it is concerned only with the division of the surplus labour amongst the different individual capitalists, and not with the origin of surplus labour or its general extent.

All that remains for the labour of superintendence is the general function of organising the division of labour and the cooperation of certain individuals. This labour is fully taken into account in the wages of the general manager in the larger capitalist enterprises. It has already been deducted from the general rate of profit. The best practical proof of this is provided by the co-operative factories set up by the English workers, for these, despite the higher rate of interest they have to pay, yield profits higher than average, although the wages of the general manager, which are naturally determined by the market price for this kind of labour, are deducted. The industrial capitalists who are their own general managers save one item of the production costs, pay wages to themselves, and consequently receive a rate of profit above the average. If this assertion of the apologists [that profit of enterprise constitutes wages for the labour of superintendence] were taken literally tomorrow, and the profit of the industrial capitalist limited to the *wages of management and direction*, then capitalist production, the appropriation of the surplus labour of others and its transformation into capital would come to an end the day after tomorrow.

However, if we consider this [payment of the] labour of superintendence as wages concealed in the *general rate of profit*, then the law established by Ramsay and others applies, namely, that while profit (industrial profit as well as gross profit [including interest]) is proportional to the amount of capital invested, this portion of the profit stands in *inverse ratio* to the size of the capital, it is infinitesimally small in the ease of large capital and enormously large where the capital is small, i.e., where the capitalist production is purely nominal. Whereas the small capitalist, who does almost all the work himself, seems to obtain a very high rate of profit in proportion to his capital, what happens in fact is that, if he does not employ a few workers whose surplus labour he appropriates, he actually makes *no profit* at all and his enterprise is only *nominally* a capitalist one. (whether he is engaged in industry or in commerce). What distinguishes him from the wage-worker is that, because of his nominal capital he is indeed the master and owner of his own conditions of labour and consequently has no master over him; ||1101| and hence he appropriates his whole labour-time himself instead of it being appropriated by someone else. What appears to be profit here, is merely the excess [of his income] over ordinary wages, an excess which results from the fact that he appropriates his own surplus labour. However, this phenomenon belongs exclusively to those spheres which have not as yet been really conquered by the capitalist mode of production.

[Ramsay says:]

> "The profits of enterprise may ... be considered as made up of 3 parts: one... the salary of ... the master; another an insurance for risk; the remainder ... his *surplus gains*" (op. cit., p. 226).

As regards point 2, it is quite irrelevant here. Corbet (and Ramsay himself) has stated that

the *insurance* which covers the risk only distributes the losses of the capitalists uniformly or distributes them more generally amongst the whole class. The profits of the insurance companies—that is, of the capitals which are employed in the business of insurance, and take over this distribution—must be deducted from these uniformly distributed losses. These companies receive a part of the surplus-value in the same way as mercantile or moneyed capitalists do, without participating in its direct production. This is a question of the distribution of the surplus-value amongst the different sorts of capitalists and of the deductions which are consequently made from [the surplus-value accruing to] the individual capitalists. It has nothing to do either with the nature or with the magnitude of the surplus. The worker obviously cannot provide any more than his surplus labour. He cannot make an additional payment to the capitalist so that the latter may insure the fruits of this surplus labour against loss. At most one could say that, even apart from capitalist production, the producers themselves might have certain expenses, that is, they would have to spend a part of their labour, or of the products of their labour in order to insure their products, their wealth, or the elements of their wealth, against accidents, etc. Instead of each capitalist insuring himself, it is safer as well as cheaper for him if one section of capital is entrusted with this job. Insurance is paid out of a portion of surplus-value, its protection and distribution between the capitalists has nothing to do with its origin and magnitude.

What is left is 1) the salary and 2) the surplus gains, as Ramsay calls that part of surplus-value which falls to the industrial capitalist as opposed to the interest-grabber and which, consequently, is determined by the ratio of interest to industrial profit; the two parts into which the surplus-value accruing to capital (in contrast to landed property) is divided.

As far as 1), the salary, is concerned, it is first of all self-evident that in capitalist production, the function of capital as lord over labour falls to the capitalist, or a clerk or a representative paid by him. Even this function would disappear together with the capitalist mode of production, insofar as it does not arise from the nature of co-operative labour but from the domination of the conditions of labour over labour itself. Ramsay himself however sweeps away this element or reduces it to such an extent that it is not worth speaking of.

> The salary [of the employer], like the work [of superintendence], remains roughly the same, be the concern large or small (loc. cit., pp. 227-29). A worker will never be able to say that he can do the same amount of work as two, three or more of his workmates. But one industrial capitalist or farmer can take the place of ten or more[rr] (p. 255).

The third part [of the profits of enterprise], the *surplus gains*, includes [compensation for] risks—which are only *possible* risks, nothing but the possibility of losing the gains and the capital—it in fact however takes the form of insurance and therefore of a share which certain capitals in a particular branch receive in the total surplus-value.

> "These surplus gains," Ramsay writes, "do truly represent [...] the revenue derived from *the power of commanding the use of capital*" (in other words from the power of commanding other people's labour) "whether belonging to the person himself or borrowed from others... these[ss] net profits" (interest) "vary exactly as the amount of capital [...] on the contrary [...] the larger the capital, the greater the proportion they bear[tt] to the stock employed" (loc. cit., p. 230).

In other words, this means nothing more than that the salaries of masters stand in inverse ratio to the size of the capital. The larger the scale on which the capital

operates, the more *capitalist* the mode of production, the more negligible is the element of industrial profit which is reducible to salary, and the more clearly appears the real character of industrial profit, namely, that it is a part of the surplus gains, i.e., of surplus-value, i.e., of unpaid surplus labour.

The whole contradiction between industrial profit and interest only has meaning as a contradiction between the rentier and the industrial capitalist, but it has not the slightest bearing on the relationship of the worker to capital, the nature of capital, or the origin of the profit capital yields.

With regard to *rent not derived from corn*, Ramsay says:

> "In this manner the rent paid for one species of produce becomes the cause of the *high value of others*" (op. cit., p. 279).

> "*Revenue*," says Ramsay in the final chapter, "differs from the annual gross produce, simply by the absence of all those objects which go to keep up *fixed capital*" (by which he means *constant capital*, raw materials in all stages of production, auxiliary materials and machinery, etc.) (op. cit., p. 471).

||1102| Ramsay has already said[uu] and repeats in the final chapter that

> "circulating capital"—that is his term for capital laid out in wages—is superfluous, it is "... not[vv] an *immediate* agent in production, nor even *essential* to it at all..." (loc. cit., p. 468).

But he does not draw the obvious conclusion that by denying that wage-labour and capital laid out in wages are essential, the *necessity* for capitalist production in general is denied and the conditions of labour consequently cease to confront the workers as "capital"

or, to use Ramsay's term, as "fixed capital". One part of the conditions of labour appears as fixed *capital* only because the other part appears as circulating *capital*. But once capitalist production is presupposed as a fact, Ramsay declares that *wages* and *gross profits of capital* (industrial profit or, as he calls it, profit of enterprise included) are necessary forms of revenue (loc. cit., pp. 478, 475).

These are naturally the two forms of revenue which, in their simplicity and generality, indeed epitomise the essence of the capitalist mode of production and of the two classes on which it is based. On the other hand, Ramsay declares that *rent*, in other words landed property, is a superfluous form of capitalist production (l.c., p. 472), but forgets that it is a necessary product of this mode of production. The same applies to his statement that the "net profit of capital", that is, interest, is not a necessary form.

> [In case of a sharp reduction in gross profits] it would only be necessary for the rentiers to become industrial capitalists. As regards national wealth this makes no difference... The gross profit need certainly not be so high as to afford separate incomes to the owner and the employer[ww] (pp. 476-77).

Here Ramsay again forgets what he has said himself, namely that, as a necessary consequence of the development of capital, a constantly growing class of rentiers comes into being.[xx]

> "... gross profit [of capital and enterprise] is [...] essential in order that production should go on at all..." (loc. cit., p. 475).

Naturally. Without profit, no capital and without capital, no capitalist production.

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Thus, the conclusion at which Ramsay arrives is, on the one hand, that the capitalist mode of production based on wage-labour is not really a necessary, i.e., not an absolute form of social production (which Ramsay himself expresses only in a rather limited form by stating that "circulating capital" and "wages" [would be] superfluous if the mass of the people were not so poor that they had to receive their share of the product in advance, before it was completed). On the other hand, he concludes that interest (in contrast to industrial profit) and rent (that is the form of landed property created by capitalist production itself) are superfetations which are not essential to capitalist production and of which it can rid itself. If this bourgeois ideal were actually realisable, the only result would be that the whole of the surplus-value would go to the industrial capitalist directly, and society would be reduced (economically) to the simple contradiction between capital and wage-labour, a simplification which would indeed accelerate the dissolution of this mode of production. |1102||

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||1102| <In the *Morning* Star (December 1, 1862), a manufacturer moans:

> "*Deduct* from the *gross produce* the wages of labour, the rent of land, the interest on capital, the cost of raw material, and the *gains of the agent, merchant, or dealer*, and what remained was the *profit of the manufacturer*, the Lancashire resident, the occupier, on whom the *burden of maintaining the workmen for so many partakers in the distribution of the gross produce is thrown*."

If one disregards the value and considers the gross produce in kind, it is clear that after the replacement of the constant capital and the capital laid out in wages, that portion of the product which remains constitutes the surplus-value. From this however has to be deducted a

portion for rent and the gains of the agents, merchants or dealers, all of whom, whether they use capital of their own or not, also share in that part of the gross product which constitutes surplus-value. All these therefore are *deductions* for the manufacturer. His profit itself is subdivided into industrial profit and interest—if he has borrowed capital.>

<With regard to *differential rent:* The work of the labourer working on more fertile soil is more productive than that of a man working on less fertile soil. If, therefore, he were to be paid in kind, he would receive a smaller share of the gross product than the labourer working on less fertile soil. Or, what amounts to the same thing, his relative surplus labour would be greater than that of the other labourer, although he worked the same number of hours per day. But the value of the wage of the one is equal to that of the other. Hence the profit of his employer is no greater [than that of the other employer]. The surplus-value contained in the additional amount of his product, the greater relative productivity of his labour, or the differential surplus labour performed by him, is pocketed by the landlord.> |1102||

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* ||1130| (The reason Mr. Senior—whose *Outline* appeared at approximately the same time as Ramsay's *Essay on the Distribution of Wealth*, in which batter work the division of profit into profit of enterprise and into "net profits of capital or interest" (Chapter IV) is dealt with at length—is supposed to have discovered this division, which was already known in 1821 and 1822, can be explained only by the fact that Senior—a mere apologist of the existing order and consequently a vulgar economist—is very congenial to Herr Roscher.) |1130||

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[a] The manuscript has “Production would be just as great.”—*Ed.*

[b] The manuscript has “This proves”.—*Ed.*

[c] The manuscript has “*of*”.—*Ed.*

[d] Marx translated the first part of this passage and condensed it to: “or will people assert”.—*Ed.*

[e] The manuscript has “was”.—*Ed.*

[f] In the manuscript “will employ 150 men”.—*Ed.*

[g] See this volume, pp. 86, 87, 177, 229.—*Ed.*

[h] Instead of “profits owe their existence to a”, the manuscript has: “The source of profits is the”.—*Ed.*

[i] In the manuscript “master-capitalists”.—*Ed.*

[j] The manuscript has “viz.”—*Ed.*

[k] The manuscript has “The demand for labour”.—*Ed.*

[l] The manuscript has “amount of circulating capital alone”.—*Ed.*

[m] The manuscript has “With the progress of civilisation”.—*Ed.*

[n] The manuscript has “The demand for labour will not therefore generally increase as capital augments, at least not in the same proportion.”—*Ed.*

[o] The manuscript has “manufactures”.—*Ed.*

[p] The manuscript has “the machinery”.—*Ed.*

[q] Instead of “But the change of all others most fatal”, the manuscript has “the most fatal”.—*Ed.*

[r] Instead of “labour [...] not what is paid for it, ought to be reckoned as”, the manuscript has “Only labour, not wages, not what is paid for it is”.—*Ed.*

[s] The manuscript has “when”.—*Ed.*

[t] The manuscript has “does not constitute”.—*Ed.*

[u] The manuscript has “How is it possible to compare”.—*Ed.*

[v] The first part of the passage starting with “As regards” and ending with “because” is a free summary (mainly in German), not a quotation.—*Ed.*

[w] The manuscript has “his”.—*Ed.*

[x] The manuscript has “though they, nationally speaking, are not”.—*Ed.*

[y] The manuscript has “It is certain”.—*Ed.*

[z] That is, diminishing the part of the gross product which is required to replace the fixed capital.—*Ed.*

[aa] This paragraph and part of the next are summaries (in German) by Marx of the ideas developed by Ramsay.—*Ed.*

[bb] This paragraph and the one after the next beginning with the words: “the manufacturer benefits...” are not a quotation, but a paraphrase by Marx of the ideas expressed by Ramsay on pp. 168-69 of his book. They are written in German but interspersed with many English words and phrases.—*Ed.*

[cc] The manuscript has “The rate of profit in individual cases is therefore determined by the following causes”.—*Ed.*

[dd] The manuscript has “the articles of first”.—*Ed.*

[ee] The manuscript has “the”.—*Ed.*

[ff] The manuscript has “Ricardo forgets that the whole product is divided not only between wages and profits, but that a part of it is also necessary for replacing fixed capital.”—*Ed.*

[gg] This is not a quotation but Marx’s rendering (mainly in German) of the ideas developed by Ramsay on pp. 179-80 of his book.—*Ed.*

[hh] Instead of “Could we suppose it”, the manuscript has “If it were”.—*Ed.*

[ii] The manuscript has “These two classes”.—*Ed.*

[jj] Instead of “Thus it comes to pass, that”, the manuscript has “Therefore”.—*Ed.*

[kk] The manuscript has “poor countries”.—*Ed.*

[ll] The manuscript has “it depends”.—*Ed.*

[mm] The manuscript has “separated into interest and industrial profit”.—*Ed.*

[nn] The manuscript has “borrowers of capital. This competition is influenced, but not entirely”.—*Ed.*

[oo] This sentence is a paraphrase of Ramsay by Marx.—*Ed.*

[pp] The manuscript has “We cannot consider.”—*Ed.*

[qq] The manuscript has “The industrial capitalist is the general distributor of the revenue; he pays”.—*Ed.*

[rr] This is Marx’s summing up of the arguments advanced by Ramsay.—*Ed.*

[ss] The manuscript has “the”.—*Ed.*

[tt] The manuscript has “the larger the capital, the larger the proportion of the surplus gains”.—*Ed.*

[uu] See this volume, p. 327.—*Ed.*

[vv] The manuscript has “neither”.—*Ed.*

[ww] This is in part Marx’s paraphrase of Ramsay’s argument.—*Ed.*

[xx] See this volume, p. 354.—*Ed.*

Theories of Surplus Value, Marx 1861-3

[Chapter XXIII] Cherbuliez

||1102| Cherbuliez, *Richesse au pauvreté*, Paris, 1841 (Reprint of the Geneva edition) [published under the title *Riche ou pauvre*].

(It is questionable whether we should specially include this fellow in this group [of economists] since most of what he writes is based on Sismondi, or whether we should on occasion insert his pertinent remarks in the form of quotations. |1102||

[1. Distinction Between Two Parts of Capital—the Part Consisting of Machinery and

Raw Materials and the Part Consisting of "Means of Subsistence" for the Workers]

||1103| Capital, says Cherbuliez, consists of "the raw materials, the tools, the means of subsistence" (op. cit., p. 16). "There is no difference between a capital and any other part of wealth. It is only the way in which it is employed which determines whether a thing becomes capital, that is, if it is employed in a *production* as raw material, as tools, or as means of subsistence" (loc. cit., p. 18).

This is the standard way of reducing capital to the material elements in which it presents itself in the labour process, i.e., means of production and means of subsistence. The latter category, moreover, is not accurate since, though means of subsistence are indeed a condition for the producer, a prerequisite enabling him to exist during production, they themselves do not enter into the labour process, into which nothing enters but the object of labour, the means of production and labour itself. Thus the objective factors of the labour process—which are common to all forms of production—are here called *capital*, although the *means of subsistence* (in which wages are already included) tacitly implies the *capitalist* form of these conditions of production.

Cherbuliez, like Ramsay, [assumes] that the *means of subsistence*—which Ramsay calls circulating capital—diminish (relatively, at any rate, to the total amount of capital and absolutely insofar as machinery continually throws workers out of employment). But both he and Ramsay appear to think that there is an inevitable reduction in the amount of means of subsistence, of

necessaries, which can be employed as productive capital. But this is by no means the case. In this context, people always confuse that part of the gross product which replaces capital and is employed as capital, with that part which represents the surplus product. The means of subsistence decrease because a large portion of capital, that is, the part of the gross product employed as capital, is reproduced as constant capital instead of as variable capital. A larger portion of the surplus product, consisting of means of subsistence, is consumed by unproductive workers or idlers or exchanged for luxuries. That's all.

True, the fact that a constantly smaller part of the total capital is converted into variable capital can also be expressed in other ways. The part of capital which consists of variable capital is equal to that part of the total product which the worker himself appropriates, produces for himself. Therefore, the smaller this part is the smaller accordingly is the portion of the total number of workers which is required to reproduce it (just as in the case of the individual worker, who works correspondingly less labour-time for himself). The total product, like the total labour of the workers, falls into two parts. One part the workers produce for themselves; the other part, they produce for the capitalist. Just as the [labour-] time of the individual worker can be divided into two parts, so can the [labour-] time of the whole working class. If the surplus labour is equal to half a day, it is the same as if half the working class produces means of subsistence for the working class and the other half produces raw materials, machinery and finished products for the capitalists, partly as producers and partly as consumers.

It is ridiculous that Cherbuliez and Ramsay believe that the part of the gross product which can be consumed by the workers and can enter into their consumption in kind has been reduced of necessity or reduced at all. Only that part has been reduced which is consumed in this form and

therefore as *variable capital*. On the other hand, a larger portion is eaten up by servants, soldiers, etc., or exported and exchanged for more sumptuous means of subsistence.

The only important thing in both Ramsay and Cherbuliez is that they counterpose *constant* and *variable capital* and do not confine themselves to the distinction between fixed and circulating capital derived from circulation. For Cherbuliez counterposes that part of capital which goes on means of subsistence to that which consists of raw materials, auxiliary materials and means of labour, i.e., instruments, machines. Although two constituent elements of constant capital—raw material and auxiliary material—belong to circulating capital as far as the mode of circulation is concerned.

The important thing in variations in the constituent elements of capital is not that relatively more workers are occupied in the production of raw materials and machinery than in that of direct means of subsistence— this concerns only the division of labour— but the proportion of the product which has to be used to replace past labour (i.e., to replace constant capital) to that which has to be used to pay living labour. The larger the scale of capitalist production, and hence the greater the accumulation of capital—the greater is the share in the value of the product falling to the machinery and raw material of which the capital employed in the production of machinery and raw material consists. A correspondingly larger portion of the product must therefore be returned to production either in kind or by the producers of constant capital exchanging some of their products amongst themselves. The part of the product which belongs to production becomes larger, and the part which represents living, newly added labour becomes relatively smaller. Although, this part grows in terms of commodities—use-values—the development

described is synonymous with increased productivity of labour. But the portion of this part which the worker receives falls relatively all the more. And the same process gives rise to a continuous relative redundancy of the working population.

[2. On the Progressive Decline in the Number of Workers in Relation to the Amount of Constant Capital]

||1104| <It is an incontrovertible fact that, as capitalist production develops, the portion of capital invested in machinery and raw materials grows, and the portion laid out in wages declines. This is the only question with which both Ramsay and Cherbuliez are concerned. For us, however, the main thing is: does this fact explain the decline in the rate of profit? (A decline, incidentally, which is far smaller than it is said to be.) Here it is not simply a question of the quantitative ratio but of the *value ratio*.

If one worker can spin as much cotton as 100 [workers spun previously], then the supply of raw material must be increased a hundredfold, and this is moreover brought about only by the spinning-machine which enables one worker to control 100 spindles. But if simultaneously, one worker produces as much cotton as 100 workers did previously and one worker produces a spinning-machine whereas previously he produced only a spindle, then the ratio of value remains the same, that is, the labour expended in the spinning, [in the production of] the cotton and the spinning-machine remains the same as that expended previously in spinning, the cotton and the spindle.

As far as the *machinery* is concerned, its cost is not as great as that of the labour it displaces, although the spinning-machine is much more expensive than the spindle. The individual capitalist who owns a spinning-machine must possess a greater amount of capital than the individual spinner who buys a spinning-wheel. But the spinning-machine is cheaper than the spinning-wheel in relation to the number of workers it employs. Otherwise it would not have displaced the spinning-wheel. The place of the spinner is taken by a capitalist. But the capital which the former laid out on the spinning-wheel was *larger* relative to the size of the product, than that which the capitalist lays out on the spinning-machine.>

The increasing productivity of labour (insofar as it is connected with machinery) is identical with the decreasing number of workers relatively to the number and extent of the machinery employed. Instead of a simple and cheap instrument a collection of such instruments (even though they are modified) is used, and to that collection has to be added the whole part of the machinery which consists of the moving and transmitting parts; and also the materials used (like coal, etc.) to produce the motive power (such as steam). Finally, the buildings. If one worker is in charge of 1,800 spindles instead of driving a spinning-wheel, it would be quite ridiculous to ask why these 1,800 spindles are not as cheap as the single spinning-wheel. The productivity in this case is brought about precisely by the amount of capital employed as machinery. The ratio of the wear and tear of the machinery affects only the commodity; the worker confronts the total amount of machinery and similarly the value of the capital laid out in labour confronts the value of the capital laid out in machinery.

There can be no doubt that machinery becomes cheaper, and this for two reasons: [1] The application of machinery to the production of raw materials from which

the machinery is made. [2] The application of machinery in the transformation of these materials into machinery. In saying this, we already say two things. *Firstly*, that in both these branches, compared with the instruments required in the manufacturing industry, the value of the capital laid out in machinery also grows as compared with that laid out in wages. *Secondly*, what becomes cheaper is the individual machine and its component parts, but a system of machinery develops; the tool is not simply replaced by a single machine, but by a whole system, and the tools which perhaps played the major part previously, the needle for example (in the case of a stocking-loom or a similar machine), are now assembled in thousands. Each individual machine confronting the worker is in itself a colossal assembly of instruments which he formerly used singly, e.g. 1,800 spindles instead of one. But in addition, the machine contains elements which the old instrument did not have. Despite the cheapening of individual elements, the price of the whole aggregate increases enormously and the [increase in] productivity consists in the continuous expansion of the machinery.

Further, one factor in the cheapening of machinery apart from that of its elements, is the cheapening of the source of the motive power (the steam-boiler, for example) and of the transmission mechanism. Economy of power. But this results precisely from the fact that to an increasing extent the same motor can drive a larger system of machines. The motor becomes relatively cheaper (or its cost does not grow in the same ratio as the increase in the size of the system in which it is employed; the motor becomes more expensive as its power grows, but not in the same degree in which it grows); even when its cost increases absolutely, it declines relatively. This is therefore a new and important motive, quite apart from the price of the individual machine, for increasing the capital that is laid out in machinery and confronts

labour. One element—the increasing speed of machinery—increases productivity enormously but it does not affect the value of the machinery itself in any way.

It is therefore self-evident or a tautological proposition that the increasing productivity of labour caused by machinery corresponds to increased value of the machinery relative to the amount of labour employed (consequently to the value of labour, the variable capital).

||1105| All circumstances which result in the use of machinery leading to a reduction in the price of commodities can be attributed, firstly, to a decrease in the amount of labour embodied in each individual commodity, secondly, however, to a decrease in the wear and tear of the machinery whose value enters into the individual commodity. The less rapid the wear and tear of the machinery, the less labour is required for its reproduction. This therefore increases the amount and the value of the capital existing as machinery as compared with that existing in labour.

Only the question of raw material therefore remains to be dealt with. It is obvious that the quantity of raw material must increase proportionally with the productivity of labour; that is, the amount of raw material must be proportionate to that of labour. This relationship is closer than it appears.

Let us assume, for example, that 10,000 lbs. of cotton are consumed weekly. Calculating 50 weeks to the year, this would amount to 10,000×50, that is, 500,000 lbs. Let us also assume that the amount paid out in wages is £5,000 over the year. And if a pound of cotton is assumed to cost 6d. this comes to 250,000 shillings or £12,500. Let us assume that the capital turns over 5 times during the year. This means that in the course of a fifth of a year, 100,000 pounds of raw material—cotton—is

used, equal to a value of £2,500. And £1,000 goes on wages in the same fifth of a year. This is more than a third of the value of the capital laid out on the cotton. This does not alter the ratio. If the value of the cotton amounts to £10,000 every fifth of a year and that of the labour to £1,000, then it amounts to one-tenth. (If one considers the product of the whole year, £50,000 on one side and £5,000 on the other—it is also one-tenth.)

<The value of a commodity, as far as machinery is concerned, is determined by the wear and tear of the machinery, that is, solely by the value of the machinery insofar as it enters into the process of the formation of value, in other words, insofar as it is used up in the labour process. Profit, on the contrary, is determined (leaving raw materials out of account) by the value of the whole of the machinery which enters into the labour process irrespective of the degree to which it is used up. Profit must therefore decline as the total amount of labour employed declines compared with the part of capital laid out in machinery. It does not decline in the same proportion because surplus labour increases.>

One may ask with regard to raw material: If, for example, productivity in spinning increases tenfold, that is, a single worker spins as much as ten did previously, why should not one Negro produce ten times as much cotton as ten did previously, that is, why should the *value ratio* not remain the same? The spinner uses ten times as much cotton in the same time, but the Negro produces ten times as much cotton in the same time. The ten times larger amount of cotton therefore costs no more than a tenth of this amount cost previously. This means that despite the increase in the amount of the raw material, its value ratio to variable capital remains the same. In fact it was only the large fall in the price of cotton which enabled the cotton industry to develop in the way it did.* The dearer the material (gold and silver, for example) the less are machinery and the division of labour applied in

transforming it into articles of luxury. This is because too much capital has been advanced for the raw materials and the demand for these products is limited owing to the expensive raw materials.

To this it is quite easy to answer that some kinds of raw materials, such as wool, silk, leather, are produced by animal *organic* processes, while *cotton, linen*, etc., are produced by vegetable organic processes and capitalist production has not yet succeeded, and never will succeed in mastering these processes in the same way as it has mastered purely mechanical or inorganic chemical processes. Raw materials such as skins, etc., and other animal products become dearer partly because the insipid law of rent increases the value of these products as civilisation advances. As far as coal and metal (wood) are concerned, they become much cheaper with the advance of production; this will however become more difficult as mines are exhausted, etc.

<While it can be said with regard to corn-rent and mine-rent that they do not increase the value of the product (only its market price) but are rather the expression of the value of the product (the excess of its value *over* the production price), there is, on the other hand, no doubt that animal rent, house rent, etc., are not consequences but *causes* of the increasing values of these things.>

The cheapening of raw materials, and of auxiliary materials; etc., checks but does not cancel the growth in the value of this part of capital. It checks it to the degree that it brings about a fall in profit.

This rubbish is herewith disposed of |1105|| .

||1105| <In considering profit, surplus-value is assumed as given. And only the variations in constant capital and their influence on the rate of profit are

considered. There is only one way in which surplus-value directly affects constant capital, namely through *absolute surplus labour*, lengthening of the working-day, as a result of which the relative value of constant capital is reduced. Relative surplus labour—where the working-day remains unaltered (apart from the greater intensification of labour)—in-creases the value ratio of profit to total capital by increasing the surplus itself. Absolute surplus labour-time reduces the cost of constant capital relatively.>

[3. Cherbuliez's Inkling that the Organic Composition of Capital Is Decisive for the Rate of Profit. His Confusion on This Question. Cherbuliez on the "Law of Appropriation" in Capitalist Economy]

||1106| Let us return to Cherbuliez.

The formulas he uses for the rate of profit are either mathematical expressions for profit as it is commonly understood, without involving any kind of law, or they are quite wrong, although he has an *inkling* of the matter, approaches close to it.

> "... commercial profit is determined by the *value of the products* compared with the value of the *different elements* of productive capital"[op. cit., p. 70].

<In point of fact, profit is the relationship of the surplus-value of the product to the value of the total capital outlay regardless of the differences in its elements. But the surplus-value is itself determined by the size of the variable capital and the rate at which it produces surplus-value, and the *ratio* of this surplus-value to the total capital is again determined by the ratio of the variable to the constant capital and also by changes in the value of constant capital.>

> "Evidently the two chief elements in this determination are the price of the raw materials and amount of means of subsistence required to work them up [...] the economic progress of society affects these two elements in an *opposite* way [...] it tends to make raw materials dearer by increasing the value of all the products of the extractive industries, which are carried out on land that is privately owned and limited in extent" (loc. cit., p. 70). On the other hand, the means of subsistence decrease (relatively), a matter to which we shall return presently.
>
> "The total amount of products, less the total amount of capital expended in producing them, provides us with the total amount of profit gained during a definite period of time. The *growth* in the total amount of products *is proportionate to the capital advanced* and not the capital used up. The *rate of pro/it*, or the ratio of profit to capital, is therefore the result of the combination of two other ratios, namely, the *ratio between the capital laid out and that used up*, and the *ratio between the capital used up and the product*" (loc. cit., p. 70).

Cherbuliez first states correctly that profit is determined by the *value* of the product in relation to the "different elements" of productive capital. Then he flies off suddenly to the product itself, to the total amount of products. But the amount of products may increase without its value increasing. Secondly, a comparison

between the amount of the product and the quantity of products of which the capital—used up and not used up—consisted, can at best only be made in the way Ramsay does, by comparing the aggregate national product with the constituent elements expended in kind during its production.[a] But as regards capital, the form taken by the product is different from its ingredients in every sphere of production (even in those branches of industry in which, as in agriculture, one part of the product is used in kind as a production element of the product). Why does Cherbuliez stray on to this false path? Because, despite his vague idea that the organic composition of capital is decisive for the rate of profit, he in no way uses the contradiction between variable capital and the other part of capital in order to explain surplus-value—which, like value itself, he does not explain at all. He has not shown how surplus-value arises and therefore has recourse to *surplus product*, i.e., to *use-value*.

Although all surplus-value takes the form of surplus product, surplus product as such does not represent surplus-value. <A product may contain no surplus-value, as, for example, in the case of a peasant who owns his own implements as well as his own land and only works exactly the same amount of time as any wage-worker does to reproduce his own wages, say six hours. In a good year, he might produce twice as much [as usual]. But the value would remain the same. There would be no surplus-value, although there would be surplus product.>

In itself it was already a mistake on the part of Cherbuliez to represent variable capital in the "passive" and purely material form of means of subsistence, that is, as use-value, a form which it obtains in the hands of the workers. If, on the other hand, he had considered it in the form in which it actually appears, namely, as money (as the form in which exchange-value, i.e., a certain amount of social labour-time as such, exists), then [he would have seen that] for the *capitalist* it represents the labour which

he exchanges for it (and, as a result of this exchange of materialised labour for living labour, the variable capital would be set in motion and would grow); variable capital in the shape of labour—but not if it is regarded as means of subsistence—becomes an element of productive capital. Means of subsistence, on the other hand, are the use-value, the material existence of the variable capital when it becomes the revenue of the worker. Variable capital regarded as *means of subsistence* is, therefore, just as "*passive*" an element as both the other parts of capital which Cherbuliez describes as "passive".*

The same distortion of views prevents him from elaborating the rate of profit out of the *relationship* of this active element to the passive element, and from showing that it declines as society advances. Cherbuliez in fact reaches no other conclusion but that the means of subsistence ||1107| decline as a consequence of the development of productivity while the working population grows, that is, as a result of the redundant population, wages are consequently pushed down below their value. None of his explanations are based on the exchange of [equal] values—or the payment of labour-power at its value—and profit thus *actually* appears to be a *deduction from wages* (although he doesn't say so). This deduction may indeed occasionally constitute a part of real profits, but it can never serve as the foundation for the elaboration of the category of profit.

Let us first of all reduce the first proposition to its correct formulation.

> "The *value* of the total amount of products, less the *value* of the total amount of capital used up in its production, provides us with the total amount of profit gained during a definite period of time."

This is the primary (usual) form in which profit appears and it is likewise the form in which it appears in the

consciousness of capitalists. In other words, [profit is] the excess of the value of the product gained during a definite period of time over the value of the capital expended. Or the excess of the value of the product over the cost-price of the product. Even the "definite period of time" in Cherbuliez's statement appears like a bolt from the blue, since he has not dealt with the circulation process of capital. The first proposition, therefore, is nothing but the usual definition of profit, of the immediate form in which it appears.

The second proposition:

> "*The growth in the total amount of products* is proportionate to the capital employed and not to the capital used up."

Paraphrased again, it would read thus:

> "the *growth* in the *value* of the total amount of products is proportionate to the capital advanced" (whether used up or not).

The only purpose of this is the *surreptitious introduction* of the completely unproven and, in the way it is formulated, quite false proposition (for it already presupposes equalisation to the general rate of profit) that the amount of profit depends on the amount of capital employed. But an apparent causal nexus is to be introduced because "the *growth in the total amount of products* is proportionate to the capital *employed* and not to the capital used up".

Let us take this sentence in both its formulations—that in which it is written and that in which it ought to have been written. In this context—and in accordance with the conclusion which it is intended to serve as intermediate clause—it should be written as follows:

> "The *growth* in the *value* of the total amount of products is proportionate to the

> capital employed and not to the capital used up."

Here, evidently, surplus-value is to be evolved on the basis of the fact that the excess of the capital employed over that used up creates the *excess value of the products*. But the capital which is not used up (machinery, etc.) retains its value (for the fact that it is not used up means precisely that its value has not been used up); it retains the same value after the conclusion of the production process as it had before this process started. If *any change in value* has taken place, it can only have happened in that part of the capital which has been used up, and which therefore entered into the process of the formation of value. In point of fact it is also wrong to say that, for example, a capital of which a third is not used up and two-thirds are used up in production, would inevitably yield a higher profit than one in which two-thirds are not used up and one-third is used up, provided the *rate of exploitation is the same* (and disregarding the equalisation of the rate of profit). For obviously, the second capital contains more machinery, etc., and other elements of constant capital, while the first capital contains less of these elements and sets more living labour in motion, and therefore produces more surplus labour as well.

If we take the proposition as formulated by Cherbuliez himself, then it must be said first that it is of no use to him, because the amount of products or the amount of use-values as such by no means determines either the value or the surplus-value or the profit. But what is behind all this? A part of constant capital consisting of machinery, etc., enters into the labour process without entering into the formation of value, it helps to increase the volume of products without adding anything to its value. (For insofar as its wear and tear adds value to the product, it belongs to the capital *used up* and not to the capital *employed* as opposed to that used up.) But, by

itself, this unconsumed part of constant capital does not bring about a *growth in the amount of products*. It helps to produce a greater output in a given labour-time. Therefore, if only the same amount of labour-time were expended as is contained in the means of subsistence, the same amount of products would be produced. The excess of products is therefore due to a change which takes place in this part of the *capital used up* and not to the excess of the capital employed over that consumed (assuming that it is not a matter of branches of industry in which—as in agriculture—the *volume* of products is, or can be, independent of the amount of capital laid out, [because] the productivity of labour is, in part, dependent on uncontrollable natural conditions).

If however he considers constant capital—used up or otherwise—as independent of the labour-time, independent of the change in the variable capital which takes place in the realisation process, then he might just as well say:

> "The growth in the total amount ||1108| of products" (at beast in manufacturing industry) "is proportionate to the growth of the part of capital consisting of raw materials which is used up."

For the increase of products is physically identical with the growth of this part of capital. In agriculture on the other hand (and likewise in the extractive industries), where only a small proportion of the capital invested is not [annually] used up (i.e., constant capital) and a relatively large proportion of capital is used up (as wages for example), the amount of products, provided the land is fairly fertile, can be much larger than in the advanced countries where the ratio of capital invested to capital used up is infinitely greater.

The second proposition thus amounts to an attempt to bring in surreptitiously surplus-value (the indispensable basis of profit).

[Cherbuliez's conclusion:]

> "*The rate of profit* or the *ratio* of the profit to capital is therefore the result of the combination of two other ratios, namely the *ratio* between the *capital laid out* and that *used up*, and the *ratio between the capital used up and the product*" (op. cit., p. 70).

Previously, *profit* ought to have been explained. But nothing emerged except a definition of it which merely states the form in which it appears, i.e., the fact that profit is equal to the excess of the value of the total product over the cost-price of the product or over the value of the capital used up, which is the vulgar definition of profit.

Now the *rate of profit* ought to be explained. But once again nothing emerges except the vulgar definition. The rate of profit is equal to the ratio of profit to the total capital, or, what amounts to the same thing, it is equal to the ratio of the excess of the value of the product over its cost-price to the total capital advanced for production. The distorted conception and bungling application of the approximately correct distinction between the elements of capital, and the vague idea that profit and rate of profit are directly connected with the ratio of these elements to one another, only lead to a repetition of the generally known phrases in a rather doctrinaire fashion, in fact merely to a statement that profit and rate of profit exist without, however, anything being said about their nature.

The matter is not improved by the fact that Cherbuliez expresses his doctrinaire formulae in algebraic language:

> "Let P be the aggregate product of a given period of time, C the capital invested, π the

> profit, *r* the *ratio* of profit to capital (rate), *c* the capital used up, then $P-c=\pi$, $r=\pi/C$ therefore $Cr=\pi$. Therefore $P-c=Cr$; therefore $r=P-c/C$" (loc. cit., p. 70, Note 1).

Which means nothing more than that the rate of profit equals the ratio of profit to capital and that profit equals the excess of the value of the product over its cost-price.

In general, when Cherbuliez speaks about consumed and unconsumed capital he has at the back of his mind the difference between fixed and circulating capital, and not the distinction which he himself has drawn, namely, that between the different types of capital based on the production process. Surplus-value is antecedent to circulation and no matter how much the differences arising out of circulation affect the rate of profit, they have nothing to do with the origin of profit.

> "Productive capital [...] is composed of a consumable part [...] and a non-consumable part [...] The more wealth and population increase, the more the consumable part tends to increase, because the extractive industries demand an ever greater supply of labour. On the other hand, this same progress [...] causes the *amount* of capital invested to increase at a much faster rate than the amount of capital *consumed*. Thus although the total mass of capital consumed tends to increase [...] the effect is neutralised, because the mass of products grows in more rapid progression and the *total amount of profit* must be considered as growing at a rate at beast as high as that at which the *total amount of capital invested* grows" (loc. cit., p. 71).

> "The amount of profit grows, not the rate, which is the ratio of this amount to the capital invested, $r=P-c/C$. It is clear that P–c or the profit, since $P-c=\pi$ can grow although r declines, if C grows more rapidly than P–c" (p. 71, note).

Here the reason for the decline in the rate of profit is touched on, but in view of the preceding distortions, it can only lead to confusion and contradictions which cancel each other out. First the amount of capital consumed grows but the amount of products grows even more rapidly (i.e., the excess of the value of the products over their cost-price in this case), for it grows in proportion to the capital invested and this grows more rapidly than the capital consumed. Why the fixed capital grows more rapidly than the mass of raw materials, for example, is not explained anywhere. But never mind, the amount of profit grows *in proportion* to the capital *invested*, to the total capital, but ||1109|| *the rate of profit* is nevertheless supposed to fall, because the total capital grows more rapidly than the mass of products or rather than the amount of profit.

First the *amount of profit grows* at a rate at least as great as that at which "the total amount of the capital invested" grows, and then the rate of profit *falls*, because the total amount of capital invested grows more rapidly than the amount of profit. First *P-c* grows "at least" proportionally to *C*, and then *P-c/C* falls, because *C* increases even more rapidly than *P-c*, which increases at least as rapidly as *C*. If we throw aside all this confusion, then all that remains is the tautology that *P-c/C can* fall again although *P-c* increases, that is, that the rate of profit can fall although profit increases when the rate falls. The rate of profit simply signifies the ratio of *P-c* to *C*, [and this ratio declines] when capital increases more rapidly than the amount of profit.

Thus the final pearl of wisdom is that the rate of profit can fall, that is, the ratio of an increasing amount of profit to capital can fall when the capital increases more rapidly than the amount of profit, or if the amount of profit, despite the absolute growth, declines relatively in comparison with the capital. This is nothing but a different expression for the decline in the rate of

profit. But that this phenomenon is within the bounds of possibility, and even its existence, has never been called to question. The sole point at issue was precisely to explain the cause of this phenomenon, and Cherbuliez explains the decline in the rate of profit, the decline in the amount of profit in relation to the total capital, by the relative increase in the amount of profit which is at least proportionate to the growth of the capital. He obviously surmises that the mass of living labour employed declines relatively to past labour, although it increases absolutely, and that *therefore* the rate of profit must decline. But he never arrives at a clear understanding. The closer one comes to the threshold of understanding, the more distorted the statements become, unless the threshold is actually crossed and [the greater is] the illusion of having crossed it.

On the other hand, what he says about the *equalisation of the general rate of profit* is very much to the point. |1109||

||1109| "After the deduction of rent, what remains of the *amount of profit*, that is, of the excess of products over the capital consumed, is divided between the capitalist producers *in proportion to the capital each has invested*, whereas the portion of the product which corresponds to the capital used up and is intended to replace it, is divided in proportion with the capital actually used up. This *dual law of division* comes about *as a result of competition*, which tends to equalise the advantages of the different investments of capital. Finally, this dual law of division determines the respective *values* and *prices* of the different kinds of products" (loc. cit., pp. 71-72).

This is very good. Only the concluding words are wrong, namely, that the formation of the general rate of profit determines the *values* and *prices* (it should be prices of production) of commodities. On the contrary,

the determination of the value is the primary factor, antecedent to the rate of profit and to the establishment of production prices. How can any kind of *division* of the "amount of profit", i.e., of the surplus-value ||1110|— which is itself only a part of the total value of commodities—determine the "*amount* of profit", that is, the surplus-value, that is, the value of the commodities? This is only correct if, by relative values of commodities, one means their production prices, The whole lopsidedness of Cherbuliez's presentation arises from the fact that he does not examine the origin and the laws of value and surplus-value independently.

In other respects, he describes the relation between wage-labour and capital more or less correctly.

People who neither receive anything by devolution (legal transfer, inheritance, etc.), nor have any possessions they can exchange, can[b] "obtain what they need only by offering their *labour* to the capitalist. They only acquire the right to the things which are allocated to them as the *price of labour*, but they have no right to the *product* of their labour, nor to the *value* which they have added" (op. cit., pp. 55-56). "By *exchanging* his labour for a certain volume of means of subsistence, [...] the worker completely renounces all right to the other portions of capital [...] The distribution of these products remains the same as it was previously; it is not modified in any way by the above-mentioned convention. The products continue to belong exclusively to the capitalist who has provided the raw materials and the means of subsistence. *This is an inescapable sequence of the law of appropriation, the fundamental principle of* which was, conversely, *the exclusive right of every worker to the product of his labour*" (p. 58).

This fundamental principle, according to Cherbuliez, is as follows:

> "The worker has an exclusive right to the value resulting from his labour" (p. 48).

Cherbuliez does not understand nor does he explain how the law of commodities, according to which commodities are equivalents and exchange with one another in proportion to their value, i.e., to the labour-time embodied in them, unexpectedly leads to the result that on the contrary capitalist production—and only on the basis of capitalist production is it essential for the product to be produced as a commodity—depends on the fact that one portion of labour is appropriated without exchange. He only senses that a *transformation* has suddenly taken place.

This fundamental principle is a pure fiction. It arises from the surface appearance of *commodity circulation*. Commodities are exchanged with one another according to their value, that is, according to the labour embodied in them. Individuals confront one another only as commodity owners and can therefore only acquire other individuals' commodities by alienating their own. It therefore *appears* as if they exchanged only their own labour since the exchange of commodities which contain *other people's* labour, insofar as they themselves were not acquired by the individuals in exchange for their own commodities, presupposes different relations between people than those of [simple] commodity owners, of buyers d of sellers. In capitalist production this appearance, which its surface displays, disappears. What does not disappear, however, is the illusion that originally men confront one another only as commodity owners and that, consequently, a person is only a property owner insofar as he is a worker. As has been stated, this "originally" is a delusion arising from the surface appearance of capitalist production and has never existed historically. In general, man (isolated or social) always comes on to the stage as a property owner before he appears as a worker, even if the property is only what

he procures for himself from nature (or what he as a member of the family, tribe, communal organisation, procures partly from nature, partly from the means of production which have already been produced in common). And as soon as the first animal state is left behind, man's property in nature is mediated by his existence as a member of a communal body, family, tribe, etc., by his relationship to other men, which determines his relationship to nature. The "propertyless labourer" as a "fundamental principle" is rather a creature of civilisation and, on the historical scale, of "capitalist production". This is a law of "expropriation" not of "appropriation", at least not simply of appropriation in the way Cherbuliez imagines it, but a kind of appropriation which corresponds to a definite, specific mode of production. |1110||

||1111| Cherbuliez says:

> "The products are appropriated before they are converted into capital; and this conversion does not eliminate such appropriation" (op. cit., p. 54).

But this applies not only to the products, but also to labour. Raw materials, etc., and instruments belong to the capitalist. They are the *converted* form of his money. On the other hand, when he has bought labour-power or the daily (say 12 hours) use of labour-power, with a sum of money equal to the product of six hours of labour, then the labour of 12 hours belongs to him; it is *appropriated* by him before it is carried out. The process of production itself turns labour into capital. But this transformation is an act which takes place later than its appropriation.

The "products" are converted into capital, *physically* converted insofar as in the process of production they function as conditions of labour, conditions of production, objects and instruments of

labour, and *formally* converted insofar as not only their *value* is perpetuated but as they become means for absorbing *labour and surplus labour*, insofar as they actually function as absorbers of labour. ||1112| On the other hand: the labour-power *appropriated before* the [production] process is turned directly into capital *in* the course of the process by being converted into the conditions of labour and into surplus-value, [since] as a result of its embodiment in the product, it not only preserves the constant capital but replaces the variable capital and adds surplus-value. |1112||

[4. On Accumulation as Extended Reproduction]

[Cherbuliez writes:]

||1110| "Every accumulation of wealth provides the means for accelerating further accumulation" (op. cit., p. 29).

{Ricardo's view (derived from Smith) that all accumulation can be reduced to expenditure on wages, would be incorrect even if no accumulation in kind took place—which is the case, for example, when the farmer sows more seed, the stock-breeder increases his stock of cattle for breeding or for fattening, the owner of engineering works uses part of his surplus-value in the form of machine tools—and even if all producers who produce the elements of some part of capital did not over-produce regularly, counting on the fact of annual accumulation, i.e., the expansion of the general scale of production. Moreover, the peasant can exchange part of his surplus corn with the stock-breeder, who may convert this corn into variable capital while the peasant converts his corn into constant capital [by means of this exchange]. The flax-grower ||1111| sells part of his

surplus product to the spinner, who converts it into constant capital. With this money the flax-grower can buy tools and the tool-maker can then buy iron, etc., so that all these elements are turned directly into constant capital.

But disregarding all this, let us assume that a manufacturer of machines wants to convert an additional capital of £1,000 into elements of production. He will of course lay out part of it on wages, say £200. But he buys iron, coal, etc., with the remaining £800. Let us assume that this iron, coal, etc., has first to be produced. Then, if the iron or coal producers either have no excess (accumulated) stocks of their commodities, and likewise have no additional machinery and are unable to buy it immediately (for in this case too constant capital would be exchanged for constant capital), they can only produce the required iron and coal if they work their old machinery longer. As a result, they would have to replace it more rapidly, but a part of its value would enter into the new product. Irrespective of this, however, the iron manufacturer needs more coal in any case and must therefore transform at least part of his share in the £800 into constant capital. Both coal and iron producers sell their wares in such a way that they contain unpaid surplus labour. And if this amounts to a quarter, then this alone means that £200 out of the £800 is not converted into wages, not to mention the part which has to make good the wear and tear of the old machinery.

The surplus consists always of the articles produced by the particular capital, i.e., coal, iron, etc. Part of the surplus is converted directly into constant capital when the producers whose commodities serve as elements of production for other producers exchange these commodities with one another. That part of the surplus value, however, which is exchanged against the products of those who produce means of subsistence and replaces the constant capital in these branches, provides the

necessary variable capital. The producers of means of subsistence that can no longer enter as elements into their production (except as variable capital) acquire additional constant capital through the same process which provides the other producers with additional variable capital.

The following features distinguish reproduction—insofar as it constitutes accumulation —from simple reproduction.

Firstly: Both the constant and variable elements of production which are accumulated consist of newly added labour. They are not used as revenue, although they arise from profit. They consist of profit or surplus labour, whereas in the case of simple reproduction part of the product represents past labour (i.e., in this context, labour which has not been performed in the current year).

Secondly: If the labour-time in certain branches is lengthened, that is, if no additional instruments or machines are employed, the new product must indeed, to a certain extent, pay for the more rapid wear and tear of the old [tools or machines], and this accelerated consumption of the old constant capital is likewise an aspect of accumulation.

Thirdly: As a result of the additional money capital which arises in the process of [extended] reproduction—partly through the freeing of capital, partly through the conversion of part of the product into money, partly because, as a result of the money collected by the producer, the demand for other [commodities], e.g., [those offered by the] sellers of luxury goods, is reduced—the systematic replacement of the elements [of production] is by no means a necessity, as it is in the case of simple reproduction.

With the additional money anyone can buy or command products, although the producer from whom

the purchase is made may neither expend his revenue on the product of the purchaser nor replace his capital with it}. <Additional capital (constant or variable) must appear in the form of money capital on one side, even if this only exists in the form of outstanding claims, whenever it is not balanced by a corresponding addition on the other side.>

[5. Elements of Sismondism in Cherbuliez. On the Organic Composition of Capital Fixed and Circulating Capital]

For the rest, Cherbuliez presents a remarkable amalgam of Sismondian and Ricardian contradictory views. |1111||

||1112| *Sismondian*.

> "The hypothesis [...] that an *invariable ratio exists* between the different elements of capital is not substantiated at any stage of the development of society. The relationship is essentially *variable* and for two reasons: a)the division of labour, and b) the replacement of human labour by natural agents. These two factors tend to reduce the *ratio* of the means of subsistence to the other two elements of capital" (op. cit., pp. 61-62).

In this situation, "the *increase in productive capital* does not necessarily bead to an increase in the amount of means of subsistence intended to constitute the price of labour; it can be accompanied—at beast for a time—by an absolute diminution of this element of

capital, and consequently by a *reduction in the price of labour*" (loc. cit., p. 63).

<This is Sismondian; the effect on the *wage level* is the only aspect considered by Cherbuliez. This problem does not arise at all in an investigation where labour is always supposed to be paid at its value and the fluctuations of the market price of labour above or below that point (the value [of labour]) are not taken into consideration.>

> "The producer who wishes to introduce a new division of labour in his enterprise or to exploit some natural force, will not wait until he has accumulated sufficient capital to be able to employ in this new way *all* the workers he needed previously. In the case of division of labour, he will perhaps be satisfied to produce with five workers what he previously produced with ten. In the case of the exploitation of a natural force, he will perhaps use only one machine and two workers. The means of subsistence will, in consequence, be reduced to 1,500 in the first case and to 600 in the second. But since the number of workers remains the same, *their corn petition* will soon force the price of labour below its original level" (loc. cit., pp. 63-64). "This is one of the most astonishing results of the *law of appropriation*. The absolute increase in wealth, that is, in the products of labour, does not give rise to a proportional increase and may lead to a diminution in the means of subsistence for the workers, in the portion they receive of all kinds of products" (p. 64). "The factors determining the *price of labour"*<in this context it is always a question only of the *market price* of labour> "are the absolute amount of productive capital and the ratio between the different elements of capital, two social facts on which the will of the workers can exercise no influence" (p. 64). "Nearly all the odds are against the worker" (loc. cit.).

The ratio between the different elements of productive capital is determined in two ways:

First: By the organic composition of productive capital. By this we mean the technological composition. With a *given productivity* of labour, which can be taken as constant so long as no change occurs, the amount of raw material and means of labour, that is, the amount of constant capital—in terms of its *material elements—which* corresponds to a definite *quantity of living labour* (paid or unpaid), that is, to the *material elements* of *variable* capital, is determined in every sphere of production.

If the proportion of the materialised labour to the living labour employed is small, then the portion of the product that represents living labour will be large regardless of how this portion is divided between capitalist and worker. If the reverse is the case, the portion will be small. With a given rate of exploitation of labour, the surplus labour too will be large in the former case and small in the latter. This can only change as a result of a change in the mode of production which alters the technological relationship between the two parts of capital. Even in this case, the absolute amount of living labour employed by the capital which uses a greater proportion of constant capital may be equal or even larger if capitals of different *size* are compared. But it must be smaller *relatively*. For capitals of the same size, or calculated in proportion to the total capital—100 for example—it must be smaller both relatively and absolutely. All changes arising from the development (not the decline) of the productive power of labour, reduce that part of the product which represents living labour, that is, they reduce variable capital. Regarding capital invested in different branches of production ||1113| , one can say [that these changes] reduce the *variable* capital absolutely in those branches which have reached a higher level of production, since wages are assumed to be equal.

So much with regard to the changes arising from changes in the mode of production.

Secondly, however, if one assumes that the organic composition of capitals is given and likewise the differences which arise from the differences in their organic composition, then the *value ratio* can change although the technological composition remains the same. What can happen is: a) a change in the value of constant capital; b) a change in the value of the variable capital; c) a *change in both*, in equal or unequal proportions.

a) If the technological composition remains the same and a change in the value of constant capital takes place, its value will either fall or rise. If it falls, and only the same amount of living labour is employed as previously, i.e., if the *scale* or *level of production* remains the same, if, for example, 100 men are employed as previously, then in physical terms, the same amount of raw material and means of labour is required as previously. But the surplus labour bears a greater proportion to the total capital advanced. The rate of profit rises. In the opposite case it declines. In the former case, for the capitals already employed in that sphere (not those newly invested in it after the change of value in the elements of constant capital has taken place), the total sum of the capital employed diminishes, that is, some portion of the capital is set free, although production continues to be carried on on the same scale; or the capital thus liberated is again employed in the same sphere of production and has then the same effect as an accumulation of capital. The scale of production is enlarged, and the absolute amount of surplus labour is increased proportionally. With a given *method of production*, every accumulation of capital results in an increase in the total amount of surplus-value whatever the rate of surplus-value may be.

Conversely, if the value of the elements of constant capital increases, then *either the scale of production* (hence the mass of the total capital advanced) must increase to employ the *same quantity* of labour (the same variable capital the value of which has remained unchanged) as before; and then although the absolute amount of surplus-value—and the rate of surplus-value—remains the same, its proportion to the total capital advanced decreases, and hence the rate of profit falls. Or the scale of production and the total capital advanced is not enlarged, then in all circumstances, the variable capital must decrease.

If the same sum as previously is laid out in constant capital, it now represents a smaller amount of material elements and since the *technological conditions* remain the same, less labour will be employed. The total capital advanced therefore decreases by [an amount corresponding to] the labour dismissed; the total value of the capital advanced thus decreases, but a greater proportion of the diminished capital is laid out in constant capital (in terms of value). The surplus-value decreases absolutely, because less labour is employed, and the ratio of the remaining surplus-value to the total capital advanced falls, because variable capital bears a smaller proportion to constant capital.

On the other hand, if the same total capital is employed as before—the reduced value of the variable capital (representing a smaller quantity of labour, living labour, employed), being counterbalanced by the increased value of the constant capital; the one being diminished in the same proportion as the other is augmented, then the absolute quantity of surplus-value falls; because less labour is employed, and at the same time, the proportion of this surplus-value to the total capital advanced falls. Thus the rate of profit falls for two reasons, the diminution in the amount of surplus labour, and the

decreasing proportion of that surplus labour to the total capital advanced.

In the first case where (with decreasing value of the elements of constant capital) the *rate of profit rises* in all circumstances, the *scale of production* must be extended if the *amount of profit* is to increase. Let us assume that the capital is 600—half constant, half variable. If the constant capital were to lose half its value, it would only amount to 150, although the variable capital would remain 300. The total capital employed would be only 450, 150 being freed. If the 150 are added to the capital again, then 100 of the 150 will now be laid out in variable capital. ||1114| Thus the *scale of production* is expanded and more labour employed, if the same capital continues to be used in the production process.

In the opposite case, where with rising value of the elements of constant capital the *rate of profit* falls in all circumstances, the *scale of production*, and therefore the capital advanced, must be increased if the amount of profit *is not to decrease* and the *amount* of labour employed (and therefore surplus-value) is to remain the same. If this is not done, if only the old or less than the old capital is employed, then not only does the rate of profit decline, but also the amount of profit.

The rate of surplus-value remains unchanged in both cases; it changes, however, if any change in the *technological* composition of capital takes place: it increases if the constant capital increases (because labour is then more productive) and declines when it falls (because labour is then less productive).

b) If there is any change in the value of variable capital independent of the *organic composition*, it can only occur because of a fall or a rise in the price of means of subsistence that are not produced in the sphere of

production under consideration but enter into it as commodities from outside.

If the *value of variable* capital falls, it nevertheless represents the same amount of living labour as before. The same quantity of labour merely costs less. If therefore the *scale of production* remains the same (since the value of constant capital is unchanged), then the part of the total capital used for the purchase of labour is diminished. Less capital needs to be laid out in order to pay the same number of workers. Thus, in this case, if the *scale of production remains the same*, the amount of capital laid out diminishes. The rate of profit increases, and this for two reasons. The [*amount of*] *surplus-value has increased;* the ratio of living labour to materialised labour has remained the same, but the increased surplus-value correlates with a smaller total capital. If, on the other hand, the capital freed is again invested, then this amounts to *accumulation*.

If the *value of the variable capital* increases, then a greater total capital must also be laid out in order to employ the same number of workers as before, because the value of the constant capital remains the same and that of the variable capital has risen. The amount of labour remains the same, but a smaller part of it is surplus labour, and this smaller part corresponds to a larger capital. This takes place when the *scale of production remains the same*, while the value of the total capital increases. If the value of the total capital does not increase, the *scale of production* must be reduced. The amount of labour declines and a smaller portion of this reduced amount constitutes surplus labour, which, too, bears a smaller proportion to the total capital advanced.

The organic changes and those brought about by changes of value can have a similar effect on the rate of profit in certain circumstances. They differ however in the following way. If the latter are not due simply to

fluctuations of market prices and are therefore not temporary, they are invariably caused by an organic change in the spheres that provide the elements of constant or of variable capital.

[c)] It is not necessary here to examine *case 3* in detail.

In the case of capitals of equal size—or if the calculation is based on equal amounts of the total capital, 100, for example— the *organic composition* may be *the same* in *different spheres of production*, but the *value ratio* of the primary component parts of constant and variable capital may be *different* according to the different values of the amount of instruments and raw materials used. For example, copper instead of iron, iron instead of lead, wool instead of cotton, etc.

On the other hand, is it possible for the organic composition to be different if the *value ratio* remains the same? If the organic composition is the same, the relative amounts which constitute constant capital and living labour are *the same* per 100. The quantitative proportions are the same. The value of the constant capital may be the same, although the relative amounts of labour set in motion are different. If the machinery or raw materials are dearer (or cheaper), less labour, for example, may be required, but in this case the value of the variable capital is also relatively smaller or vice versa.

||1115| Let us take A and B. *c'* and *v'* are the component parts (in terms of value) of A, and *c* and *v* those of B (again in terms of value). If *c':v'* is equal to *c:v* then *c'v* equals *v'c*. Consequently likewise *c'/c* equals *v'/v*.

Since the *value ratios* [of constant to variable capital] are equal, only the following variations are possible. If in one sphere *more surplus labour is carried out* than in another sphere, <for example, night work is impossible in

agriculture, and although the individual agricultural labourer can be over-worked, nevertheless the total amount of labour which can be expended on a given area of land is limited by the object being produced (corn), whereas in a factory of a given size the amount produced depends (δυνάμει[c]) on the hours of labour worked—that is to say, it is due to the different kinds of production that more surplus labour can be employed in one sphere at a given level of production than in another> then, even if the value ratio of constant and variable capital is the same, the amount of labour employed in proportion to the total capital will nevertheless be different.

Or, let us assume that the raw material is dearer and labour (of greater *skill*) is dearer, in the same proportion. In this case [capitalist] A employs 5 workers, where [capitalist] B employs 25, and they cost him £100—as much as the 25 workers, because their labour is dearer (their surplus labour is therefore also worth more). These 5 workers work up 100 lbs. of raw material, *y*, worth [£] 500 and B's workers work up 1,000 lbs. of raw material, *x*, worth [£] 500, because the raw material is dearer and the productive power of the workers is less highly developed in the case of A. The value ratio here—£100 *v* to [£] 500 *c* is he same in both cases, but the *organic composition* is different.

The *value ratio* is the same: The value of constant capital in A is the same as in B, and proportionately A lays out the same amount of capital in, wages as B. But the quantity of his products will be smaller. Although he employs the same absolute quantity of labour as B, he uses more relatively, because his constant capital is dearer. He processes less raw material, etc., in the same time, but this smaller quantity costs him as much as the larger quantity processed by B. The *value ratio* in this case is the same, the organic composition is different. In the other case the value ratio being assumed to be the same, this can occur only if the amounts of the surplus

labour are different or if the value of the different kinds of labour are different.

The organic composition can be taken to mean the following: Different ratios in which it is necessary to expend constant capital in the different spheres of production in order to absorb the same amount of labour. The *combination of the same amount of labour* with the object of labour requires either that both more raw material and more machinery are used in one case than in the other, or that more of only one of these is used.

{Where the ratios between fixed and circulating capital are very different, those between *constant and variable* capital can be *the same*, consequently the surplus-value can be the same although the *values* produced annually must be different. Let us assume that in the coal industry—where no raw materials are used (apart from auxiliary materials), the fixed capital constitutes half the total capital and variable capital the other half. Let us assume that in tailoring the fixed capital is zero (as in the previous case we disregard auxiliary materials), that the raw materials constitute half and the variable capital the other half of the total capital. Given the same degree of exploitation of labour, both will realise the same amount of *surplus-value*, since both employ the same amount of labour in proportion to capital, i.e., per 100. But let us assume that fixed capital in the coal industry turns over once every 10 years while there is no difference in the rate of turnover of circulating capital in both cases. At the end of the year (we will assume that the variable capital turns over once a year in both cases) the tailor's capital will have produced va1ues amounting to 150 if the surplus-value is 50. The coal producer, on the other hand, will have produced values amounting to 105 at the end of the first year (consisting of 5 for fixed capital, 50 for variable and 50 for surplus labour). As in the case of the tailor, the total value of his product plus the fixed

capital will amount to 150, that is, the product, 105, plus 45 for the remaining fixed capital. The production of different magnitudes of value therefore does not preclude the production of *the same* amount of surplus-value.

In the second year, the fixed capital of the coal producer would amount to 45, variable capital to 50 and surplus-value to 50, that is, the capital advanced would be 95 and the profit would be 50. The rate of profit would have *risen*, because the value of the fixed ||1116| capital would have declined by one tenth as a result of wear and tear during the first year. Thus there can be no doubt that in the case of all capitals employing a great deal of fixed capital—provided the scale of production remains unchanged—the rate of profit must *rise* in proportion as the value of the machinery, the fixed capital, declines annually, because wear and tear has already been taken into account. If the coal producer sells his coal at the same price throughout the ten years, then his rate of profit must be higher in the second year than it was in the first and so forth. Or one would have to assume that the maintenance work, etc., stands in direct proportion to the depreciation, so that the total sum advanced annually under the heading of fixed capital remains the same. This extra profit may be equalised also as a result of the fact that—apart from wear and tear—the value of fixed capital alls in the course of time, because it has to compete with new, more recently invented, better machinery. On the other hand this rising rate of profit, which results naturally from wear and tear, makes it possible for the declining value of the fixed capital to compete with newer, better machinery, the full value of which has still to be taken into account. Finally, the coal producer sold his coal more cheaply [at the end of the second year], on the basis of the following calculation: 50 on 100 means 50 per cent profit, 50 per cent on 95 comes to 47 $^{1}/_{2}$; if therefore he sold the same quantity of coal [not for 105 but] for 102 $^{1}/_{2}$—then he would have sold it more cheaply than the

man whose machinery, for example, began to operate only in the current year. Large installations of fixed capital presuppose possession of large amounts of capital. And since these big owners of capital dominate the market, it appears that only for this reason their enterprises yield surplus profit (rent). In the case of agriculture, this rent derives from working relatively fertile land, but here we are dealing with a case where relatively cheaper machinery is utilised.}

<A large number of instances which are adduced in connection with the relation of fixed to circulating capital, refer to the difference between variable and constant capital. First of all, the proportion of constant to variable capital can be the same although the proportion of fixed to circulating capital is different. Secondly, in the case of constant and variable capital it is a question of the primary division of capital between living and *materialised* labour, *not* of the modification of this relationship by the circulation process or the influence of this latter on reproduction.

It is clear first of all that the difference between fixed and circulating capital can affect surplus-value (apart from the differences in the mass of living labour employed, i.e., differences which are related to the ratio of variable to constant capital) only insofar as it affects the *turnover* of the total capital. It is therefore necessary to investigate how the *turnover* affects surplus-value. Two factors are obviously closely connected with it: 1) surplus-value cannot be accumulated, reconverted into capital, so rapidly (so often); 2) the *capital advanced* must increase both to continue to employ the same number of workers, etc., and because the advances of money which the capitalist makes to himself to cover his own consumption costs must extend over a longer period. These factors are important in connection with *profit*. Here, however, it is, to begin, with, only necessary to examine how they affect surplus-value. One

must moreover always clearly distinguish between these two factors.>

<Everything which increases the *capital outlay* without proportionally increasing the surplus-value, reduces the rate of profit even if the surplus-value remains the same; the opposite is the case with everything which reduces the outlay. Insofar, therefore, as a large amount of fixed capital in proportion to circulating capital—or different turnover periods of capital— affects the size of the capital outlay, it affects the rate of profit even if it does not at all affect the surplus-value.>

<The rate of profit is not simply the surplus-value calculated on the capital advanced, but the mass of surplus-value realised within a given period, that is, in a definite period of circulation. Insofar as the difference between fixed and circulating capital affects the mass of surplus-value which a particular capital yields *within a given period*, it affects the rate of profit. Two aspects must be taken into consideration: firstly, the difference in the size of the *capital advanced* (relative to the surplus-value realised) and secondly, the difference in the *length of time* for which these advances have to be made before they are returned with a surplus.>

||1117| {The reproduction time, or rather, the number of reproductions taking place in a definite period of time, is substantially affected by two circumstances.

1)*The product remains longer in the sphere of production, in the strict sense of the term.*

It is possible firstly that, in order to be produced, one product requires a longer period of time than another; it may require a larger part of a year, a whole year or even more than a year.(The latter is the case for example with buildings, in stock-breeding and the production of certain luxuries.) In this case, the product continually absorbs

labour—often a great deal of labour is absorbed (for instance by luxury articles and buildings) in relation to the constant capital—the amount depending on the composition of the productive capital, its division into constant and variable capital. Thus in the measure as the time required for the production of the commodity increases and the labour process continues uniformly, a continuous absorption of labour and of surplus labour takes place. This happens for example with cattle or buildings if the latter require more than a year's work. The product can enter the sphere of circulation, that is, it can be sold, be thrown on the market, only when the work is completed. The surplus labour expended in the first year is embodied with the rest of the labour in the unfinished product of the first year. It is neither greater nor smaller than in other branches of production where constant and variable capital are used in the same proportions. But the value of the product cannot be *realised*, that is, in the sense that it cannot be converted into money, and neither can the surplus-value. The latter cannot therefore be accumulated as capital nor used for consumption. The capital advanced, and also the surplus-value, serve, so to speak, as foundations for further production. They are a precondition for it and enter, to some extent, as semi-finished products, or, in one way or another, as raw material into the production process of the second year.

Let us assume that the capital is [£] 500, labour [£] 100 and surplus-value [£] 50, so that the capital advanced in production amounts to [£] 550 plus [£] 500 which is advanced in the second year. The surplus-value is again [£] 50. The value of the product is therefore [£] 1,100, of which [£] 100 is surplus-value. In this case, the surplus-value is the same as if the capital had been reproduced in the first year and [£] 500 had been invested again in the second year. In each year the variable capital employed is [£] 100 and the surplus-value [£] 50. But the *rate of*

profit is different. In the first year it is $^{50}/_{500}$, or 10 per cent. But in the second year the capital outlay amounts to [£] 550 plus [£] 500, that is, [£] 1,050, and a tenth of this is [£] 105. If one adds the same rate of profit, then the value of the product comes to: [£] 550 in the first year; [£] 550+ [£]500+ [£] 55 + [£] 50= [£]1,155 in the second year. At the end of the second year, the value of the product is [£] 1,155. Otherwise it would have been only [£] 1,100. In this case, the profit is greater than the surplus-value produced, for this only amounts to [£] 100. If one includes the consumption costs which the capitalist has to advance over two years, then the capital laid out is even greater in proportion to the surplus-value. On the other hand, it is true that the *entire* surplus-value gained in the first year has been converted into capital in the second. Furthermore, the capital laid out in wages is greater, because the £100 is not reproduced at the end of the first year, so that in the second year £200 must be advanced for the same labour for which £100 would have been sufficient if it had been reproduced in the first year.

Secondly. After the labour process has been completed, the product must continue to remain in the production sphere in order to undergo natural processes which require either no labour or relatively quite insignificant amounts of it, like wine in the cellar. Only when this period has elapsed can the capital be reproduced. It is obvious that in this case quite irrespective of what the ratio of variable to constant capital may have been, the effect is the same as if more constant and less variable capital had been laid out. The surplus labour, as well as the total amount of labour employed during a de finite period of time, is smaller. If the *rate of profit* is the same, this is due to equalisation, not to the amount of surplus-value produced in this sphere. More capital must be advanced beforehand to maintain the reproduction process—the continuity of production. And for this very

reason the surplus-value declines *in proportion* to the capital advanced.

Thirdly. *Interruptions in the labour process* while the product is in the production process, as in agriculture or in processes such as tanning, etc., where chemical processes involve intervals before the product can proceed from one stage to the next, higher one. If in such cases, the interval is reduced by chemical discoveries, the productivity of labour rises, the surplus-value is increased and materialised labour has to be advanced for a shorter period of time. In all these cases, the surplus-value is smaller and the capital outlay larger.

2) The same thing happens if the rate of turnover of the circulating capital is lower than the average because of distant markets, In this case, too, the capital outlay is greater, the surplus-value smaller and its *proportion* to the capital advanced is also smaller.} <In the latter case [the capital] is retained longer in the circulation sphere, in the former case, in the production sphere.>

||1118| {Let us assume that the capital advanced in some branch or other of the transport industry is [£] 1,000—fixed capital [£] 500, which will be worn out in five years. The variable capital, which amounts to [£] 500, turns over four times during the year. The annual value of the product will thus be [£] 100 + [£] 2,000 + [£] 100, if the [annual] rate of surplus-value is 20 per cent, a total of [£] 2,200. On the other hand, let us assume that in a branch of tailoring the constant capital, which consists only of circulating capital since fixed capital is assumed to be zero, amounts to 500 and the variable capital to 500, surplus-value is 100. [The capital] turns over four times a year. Then the (annual) value of the product will be 4(500+500)+100, that is, 4,100. The surplus-value is the same in both cases. In the last-mentioned case, the entire capital turns over four times a year or once a quarter. Of the other capital [£] 600 turn

over in the course of a year [of which £ 500 turn over four times], therefore [£] 500 + $^{100}/_{4}$ = [£] 525 in a quarter of a year. That is, 175 in a month, [£] 350 in two months, and [£] 1,400 in eight months. The whole capital requires $5\,^{5}/_{7}$ months in order to turn over. It turns over only $2^{1}/_{10}$ times a year.

Now it will be said that in order to make a profit of 10 per cent, less is added per quarter on a value of [£]1,000 in the case of the first capital than in that of the other. But here it is not a question of addition. One makes more surplus-value on the capital used up but not on the capital employed. The difference here arises from the surplus-value, not from the addition of profit. The difference here lies in the value not in the surplus-value. In both cases the variable capital amounting to 500 turns over four times in a year. Both capitals yield a surplus-value of [£]100 in a year, the [annual] rate of surplus-value amounts to 20 per cent. But £25 in a quarter, therefore a higher percentage? [£]25 on [£]500 each quarter is 5 per cent a quarter, that is, 20 per cent per annum.

The first [capitalist] turns over half his capital 4 times a year and only a fifth of the remaining half once during the year. A half of four times is *twice*. Thus he turns his capital over $2\,^{1}/_{10}$ times during the year. The entire capital of the second capitalist turns over four times a year. But this makes absolutely no difference to the surplus-value. If the second capitalist continues the reproduction process uninterruptedly, then he must constantly convert [£] 500 into raw materials, etc., and must always use [£] 500 for labour, while the other capitalist likewise uses [£] 500 for labour and has invested the remaining [£]500 once and for all (that is, for five years) in such a form that he does not need to reconvert it again. This applies however only when the ratio of variable to constant capital is the same [in both capitals] despite the difference between fixed and circulating capital.

If in both cases, one half consists of constant and the other half of variable capital, then it is only possible for one half [in one case] to consist of fixed capital if the circulating constant capital amounts to zero, and [in the other case], one half can consist of circulating constant capital only if the fixed capital amounts to zero. Although the circulating constant capital can amount to zero, as in the extractive and transport industries where, however, the auxiliary materials rather than the raw materials constitute the circulating constant capital, the fixed capital can never be zero (except in banking, etc.). This is however immaterial so long as the ratio of constant capital to variable capital is the same in both cases, even though in one case there may be more fixed and less circulating constant capital than in the other, or vice versa. The only difference here is the time of reproduction required by one half of the capital and by the total capital. One capitalist must invest a capital of £500 for five years before it is returned to him, the other, for a quarter of a year or a whole year. The ability to dispose of the capital is different. The amount advanced is the same but the time for which it is advanced is different. This difference does not concern us here. When one considers the total capital outlay, surplus-value and profit are the same—£100 in the first year on the £1,000 advanced. In the second year, it is rather the fixed capital that has a higher rate of profit, since the variable capital has remained the same, whereas the value of the fixed capital has declined. The capitalist only advances [£] 400 fixed and [£] 500 variable capital in the second year and receives a profit of [£] 100 as he did before. But 100 on 900 amounts to $11\,{}^{1}/_{9}$ per cent, while the other capitalist, if he continues to reproduce his capital, advances [£] 1,000 as he did previously and makes a profit of [£]100, that is, 10 per cent.

The position is different, of course, if, along with the fixed capital, the constant capital as a whole increases as

compared with the variable, or if altogether more capital must be advanced in order to set the same amount of labour in motion. In the case discussed above, the question is not how often the total capital is returned or how large the advance is, but how often that portion is returned which is sufficient to set the same amount of productive labour in motion as that used in the other instance, in order to renew the process of production. However, if in the case cited above, the fixed capital were [not £500 but £] 1,000 and the circulating capital only [£] 500 [as previously], then matters would be different. This, however, would not be due to the fact that it is fixed capital. For if the circulating part of the constant capital in the second case were to amount to [£]1,000 instead of [£] 500 (because of the dearness of raw materials, for example), then the result would be the same. Because in the first examples [of the two cases] the larger the fixed capital, the greater the relative size of the capital outlay as a whole to the variable capital, these two factors are often confused. Moreover, the whole business of the turnover was in fact originally derived from merchant capital, where it is determined by different laws. In the case of merchant capital, as I have demonstrated, the rate of profit is indeed determined by the average number of turnovers, regardless of the composition of this type of capital which, incidentally, consists mainly of circulating capital. For in the case of merchant capital, profit is determined by the general rate of profit.}

||1119| <(The point is this. If the fixed capital equals x, and it turns over only once every 15 years, then $^{1}/_{15}$ of it is turned over in a single year, but likewise only $^{1}/_{15}$ needs to be replaced each year. It would make no difference at all if it were replaced 15 times in a year. Its mass would still be the same as before. The product would only become dearer as a result. But it is more difficult to dispose of it and the risk of depreciation is greater than if the same

amount of capital were advanced in the form of circulating capital. But this does not affect the *surplus* [-value] in any way, although it does enter into the capitalists calculation of the *rate of profit* since this risk is included in the calculation of the depreciation.

As far as the other part of capital is concerned, let us assume that the circulating part of constant capital—raw materials and auxiliary materials—amounts to [£] 25,000 a year and wages to [£] 5,000. If it were returned only once during the year £30,000 would have to be advanced during the whole year, and if the surplus-value were at the rate of 100 per cent it would amount to £5,000, and profit at the end of the year would be 5,000 on 30,000, or 16 $^{2}/_{3}$ per cent. If, on the other hand, [the capital turns over] five times during the year, then a capital outlay of only [£] 5,000 for constant circulating capital and [£] 1,000 for wages will be sufficient. Profit will be [£] l ,000, and for five-fifths of a year [£] 5,000. But this surplus-value is made on a capital of £6,000, because more than this amount is never advanced. Profit would therefore be 5,000 on 6,000, or $^{5}/_{6}$, five times as much [as previously], that is, 83 $^{1}/_{3}$ per cent. (Disregarding fixed capital.) There is thus a very considerable difference in the rate of profit because, in fact, labour worth [£] 5,000 is bought with a capital of [£] 1,000 and raw materials, etc., worth [£] 25,000 with a capital of [£] 5,000. If the amounts of capital were equal in these cases of different rates of turnover, then only [£] 6,000 need have been advanced in the first case, that is only [£] 500 a month, five-sixths of which would have consisted of constant capital and one-sixth of variable capital. This sixth would amount to [£] 83 $^{1}/_{3}$, on which surplus-value at 100 per cent would be £83 $^{1}/_{3}$, and this would amount in a year to (83+$^{1}/_{3}$)12 = $^{12}/_{3}$(or 4)+996= [£]1,000. But 1,000 on 6,000=16 $^{2}/_{3}$ per cent.>

[6. Cherbuliez Eclectically Combines Mutually Exclusive Propositions of Ricardo and Sismondi]

To return to Cherbuliez.

[The following is] *Sismondian:*

> "Insofar as the economic progress of society is characterised by an absolute growth of productive capital and by a *change in the proportions* between the different elements of capital, it offers the workers some advantages [...] First, productivity[d] of labour [...], resulting especially from the use of machinery, brings about such a rapid growth of productive capital that despite the change that takes place in the proportion of the *means of subsistence* to the other elements of capital, this element nevertheless increases absolutely, which makes it possible not only to employ the same number of workers as before, but also an additional number, so that for the workers the result of progress [...] *apart from some interruptions* means an increase in productive capital and in the demand for labour. Secondly, the[e] greater productivity of capital tends to diminish the value of the whole mass of products considerably, thus *placing them within reach of the workers*, thereby increasing the range of enjoyments they are able to obtain" (op. cit., p. 65).

On the other hand:

> "First, however impermanent, however partial the temporary diminution of the means of subsistence which constitute the price of labour may be, it produces harmful effects nevertheless... Second, the factors tending to promote the economic advance of society are

> for the most part accidental, independent of the will of the producing capitalist. The effects of these causes are therefore not permanent…" etc. (p. 66). "Third, it is not so much the *absolute* as the *relative* amount consumed by the worker which makes his lot happy or unhappy. What does it matter to the worker if he is able to obtain a few more products which formerly were inaccessible to him if the *number of products inaccessible to him has grown in even greater proportion, if the distance which separates him from the capitalist* has only increased, if his social position has deteriorated and become more disadvantageous? Apart from the consumption strictly necessary for the maintenance of our strength, the *value of our enjoyments is essentially relative*" (loc. cit., p. 67).
>
> "People frequently forget […] that the wage-labourer is a thinking man, endowed with the same capacities, impelled by the same motives as the working capitalist" (p. 67).

||1120| "Whatever advantages a rapid growth in social wealth may bring to the wage-workers, *it does not cure the causes of their poverty*… They continue *to be deprived of all rights to capital and are consequently obliged to sell their labour and to renounce all claims to the products of their labour*" (loc. cit., p. 68). "This is the principal error of the law of appropriation… *The evil lies in this absolute lack of any bond* between the wage-worker and the capital which is set in motion by his industry" (p. 69).

This last phrase about "*bond*" is written in the typical Sismondian manner and is quite silly to boot.

About the *normal man [who is] equated with capitalist*, etc., see op. cit., pp. 74 to 76.

About the *concentration of capitals* and the elimination of the smaller capitalists (l.c., pp. 85-88).

> "If in present circumstances real pro fit derives from the thrift of the capitalists, it could derive just as well from that of the wage earners" (loc. cit., p. 89).

[On the other hand] *Cherbuliez* shares:

1). [James] Mill's view that all taxes should be imposed only on rent (p. 128), but since it is impossible "to impose a tax which is levied only on rent and affects nothing but rent", since it is difficult to separate profit from rent and impossible when the landowner is himself the cultivator, Cherbuliez proceeds to

2). the real conclusion of the Ricardian theory:

> "Why do people not take a step further and *abolish private ownership of land?*" (p. 129) "The landowners are idlers who are maintained at the public expense without any kind of benefit to industry or to the general welfare of society" (p. 129). "What makes land productive is the capital employed in agriculture. The landowner contributes nothing to it. He only exists to pocket rent, which does not constitute a part of the profit on his capital, neither is it the product of labour nor that of the productive power of the soil, but the effect of the price of the agricultural products, which is increased by the competition of the consumers..." etc. (p. 129). "Since the elimination of the private ownership of band would in no way change the causes responsible for rent, rent would continue to exist, but the state would receive it, for all the land would belong to it and it would lease out arable sections of the land to private persons owning sufficient capital to exploit them" (p. 130). Rent would replace all state revenues. "Finally industry, liberated, released from all fetters, would take an unprecedented leap forward..." (p. 130).

But how does this Ricardian conclusion agree with the pious Sismondian wish to place "bonds" on capital and

capitalist production? How does it agree with the lamentation:

> "Capital will ultimately rule the world if an upheaval does not halt the course which the development of our society is taking under the domination of the law of appropriation" (op. cit., p. 152). "Capital will eliminate the old social distinctions everywhere in order to replace them by this simple classification of men into rich and poor, the rich, who enjoy themselves and rule, and the poor who work and obey" (p. 153). "The general appropriation of *productive wealth and of the products* has always reduced the numerous class of proletarians to a position of subjugation and political impotence, but this appropriation was once combined with a system of restrictive laws which, by *impeding the development of industryand the accumulation of capital* ||1121| , placed limits on the growth of the class of the disinherited, restricted their civil rights within narrow bounds and thus in different ways rendered this class harmless. Today, capital has broken part of these fetters. It is preparing to break all of them" (pp. 155-56).
>
> "The demoralisation of the proletarians is the second result of the distribution of wealth" (p. 156).

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* ||1105| < If tomorrow the price of cotton were to drop by 90 per cent, the spinning industry would develop even more rapidly the day after tomorrow.> |1105||

[a] See this volume, p. 337.—*Ed.*

* ||1110| On page 59, Cherbuliez calls raw materials and machinery, etc., "the two *passive elements of capital*" in contrast to the means of subsistence. |1110||

[b] In this phrase Marx summarises (in German) a lengthy paragraph from *Riche ou pauvre* and then quotes from the book.—*Ed.*

[c] Potentially.—*Ed.*

[d] The manuscript has "1). the greater productivity".—*Ed.*

[e] The manuscript has "2). the".—*Ed.*

[Chapter XXIV] Richard Jones

1. Reverend Richard Jones, "An Essay on the Distribution of Wealth, and on the Sources of Taxation," London, 1831, Part I, Rent [Elements of a Historical Interpretation of Rent. Jones's Superiority over Ricardo in particular Questions of the Theory of

Rent and His Mistakes in This Field]

Even this first work on *rent* is distinguished by what has been lacking in all English economists since Sir James Steuart, namely, a sense of the *historical* differences in modes of production. (Such a correct distinction of historical forms generally speaking is not contradicted by the very important archaeological, philological and historical blunders attributed to Jones. See, for example, *The Edinburgh Review*, Vol. LIV, Article IV.

He found that the modern economists after Ricardo define rent as *surplus profit*, a definition which presupposes that the farmer is a capitalist (or a farming capitalist who exploits the land), who expects average profit on the capital which he invests in this particular sphere, and that agriculture itself has been subordinated to the capitalist mode of production. In short, landed property is conceived only in its modern bourgeois form, that is, in the modified form which it has been given by capital, the dominant relation of production in society. Jones by no means shares the illusion that capital has been in existence since the beginning of the world.

His views on the origin of rent in general are summarised in the following passages:

> "The power of the earth to yield, even to the rudest labours of mankind, more than is necessary for the subsistence of the cultivator himself, enables him to pay [...] a tribute: hence the origin of rent" ([Richard Jones, An *Essay on the Distribution of Wealth*,] p. 4).

> "... rent has usually originated in the *appropriation of the soil*, at a time when the bulk of the people must cultivate it on such terms as they can obtain, or starve; and when their scanty capital of implements, seeds, etc.,

> being utterly insufficient to secure their maintenance in any other occupation than that of agriculture, is chained with themselves to the land by an overpowering necessity" (op. cit., p. 11).

Jones traces rent throughout all its changes, from its crudest form, performance of labour services, to modern farmer's rent. He finds that everywhere a specific form of rent, i.e., of landed property, corresponds to a definite form of labour and of the conditions of labour. Thus, labour rents or serf rents, the change from labour rent to produce rent, metayer rents, ryot rents, etc., are examined in turn, a development the details of which do not concern us here. In all previous forms, it is the landed proprietor, not the capitalist, who directly appropriates the *surplus labour* of other people. *Rent* (as the Physiocrats conceive it by *reminiscence* [of feudal conditions]) appears historically (and still on the largest scale among the Asiatic peoples) as the general form of *surplus labour*, of labour performed without payment in return. The appropriation of this surplus labour is here not mediated by exchange, as is the case in capitalist society, but its basis is the forcible domination of one section of society over the other. (There is, accordingly, direct slavery, serfdom or political dependence.)

Since we are only considering landed property here insofar as an understanding of it contributes to an understanding of capital, we shall leave Jones's analysis and proceed directly to his result—which distinguishes him from, and shows his superiority over, all his predecessors.

But first a few incidental remarks.

In discussing *forced labour* and the forms of serfdom (or slavery) which correspond to it more or less ||1122| , Jones *unconsciously* emphasises the two forms to which all surplus-value (surplus labour) can be reduced. It is

characteristic that, in general, real forced labour *displays in the most brutal form, most clearly the essential features of wage-labour*.

Under these conditions <where there is serf labour> *rent* can only be increased either by the more skilful and effective utilisation of the labour of the tenantry <relative surplus labour>, this however is hampered by the inability of the proprietors to advance the science of agriculture, or by an increase in the total *quantity* of the labour exacted, and in this case, while the lands of the proprietors will be better tilled, those of the serfs, from which labour has been withdrawn, all the Worse.[a] (Op. cit., Chapter II.)

What distinguishes this book on *rent* by Jones from his *Syllabus* to be mentioned in *section 2—is* this: in the first work he proceeds from the various forms of landed property as a given fact; in the second, from the Various forms of labour to which they correspond.

Jones also shows how different stages in the development of the productive power of social labour correspond to these different production relations.

Serf-labour (just as slave-labour) has this in common with wage-labour, in respect of rent, that the latter is paid in *labour* not in *products*, still less in *money*.

As far as metayer rent is concerned "... *the advance of stock* by the proprietor, and the *abandonment* of *the management of cultivation to the actual laborers*, indicate[b] the continued absence of an intermediate class of capitalists..." (op. cit., p. 74).

> "Ryot rents are [...] *produce rents paid by a laborer, raising his own wages from the soil, to the sovereign as its proprietor*" (op. cit., Chapter IV, [p. 109]). (In Asia especially) "... Ryot rents [...] are sometimes mixed up with [...] labor rents and metayer rents" (p. 136 et

seq.). [Under this system] the sovereign is the chief landlord. "... the prosperity, or rather the *existence, of the towns* of Asia, proceeds from[c] the *local expenditure of* the *government*" (p. 138).

"Under *cottier rents* we may include all rents *contracted to be paid in money*, by peasant tenants, extracting their own maintenance from the soil" (p. 143). (*Ireland*.) Over the greater part of the globe, no money rents are paid[d] [loc. cit.].

"All the forms"[e] (serf, ryot, metayer, cottier, etc., in short, peasant rents) prevent "the full development of the productive powers of the earth" [p. 157].

"*... the difference which exists in the productiveness of the industry*" [depends] "*first*, on the *quantity* of contrivance used in applying manual labour: *secondly*, on the extent to which the mere *physical exertions* [...] *are assisted by the accumulated results of past labour:* in other words, on the different quantities of skill, knowledge, and capital, brought to the task of production...." [pp. 157-58].

"*Small Numbers of the Non-Agricultural Classes*. It is obvious, that the relative numbers of those persons who can be maintained without agricultural labor, *must be measured wholly by the productive powers of the cultivators*" (Chapter VI [pp. 159-60]).

"In England, the tenants who on the disuse of the labor of the serf tenantry, took charge of the cultivation of the domains of the proprietors, were found on the land; they were *yeomen*" (op. cit. [p. 166]).

We now come finally to the point which is of decisive interest to us *here—farmers' rents*. It is here that Jones's superiority is most striking, for he shows that what Ricardo and others regard as the eternal form of landed property, is its bourgeois form, which, after all, only

develops, firstly, when landed property has ceased to be the dominant relation in production and, consequently, in society; secondly, when agriculture itself is carried on in a capitalist way, which presupposes the development of large-scale industry (at least of manufacture) in the towns. Jones shows that rent in the Ricardian sense only exists in a ||1123| society the basis of which is the capitalist mode of production. As a consequence of the transformation of rent into surplus profit, the *direct* influence of landed property on wages ceases, which, in other words, merely means that the landed proprietor ceases to be the *direct appropriator of surplus labour*, this role being now assumed by the capitalist. The relative size of the rent affects only the division of *surplus-value* between capitalist and proprietor, not the exaction of that surplus labour itself. This conclusion in fact emerges from Jones's analysis, though it is not explicitly stated.

Jones marks a substantial advance on Ricardo, in his historical explanation as well as in the economic details. We shall follow his theory step by step. Blunders, of course, occur.

In the following passages, Jones correctly explains the historical and economic conditions under which rent is equivalent to surplus profit, that is the expression of *modern* landed property.

> "*Farmers' Rents* [...] can only exist when the *most important relations* of *the different classes of society have ceased to originate in the ownership and occupation of the soil*" (op. cit., p. 185).

The capitalist mode of production begins with manufacture and only later subjugates agriculture.

> "... it is the artizans and the handicraftsmen who first range themselves under the *management of capitalists*..." (p. 187).

> "One of the immediate consequences of this change[f] is the *power of moving at pleasure* the labor and capital employed in agriculture, to other occupations."

<And only with this power can there be any question of equalisation of agricultural and industrial profit.>

> "While the tenant was himself a laboring peasant, forced, in the absence of other funds for his maintenance, to extract it himself from the soil, he was chained to that soil by necessity; [...] the little stock he might possess, since it was not sufficient to procure him a maintenance unless used for the single purposes of cultivation, was virtually chained to the soil with its master." [With the capitalist master] "this dependance on the soil is broken: and unless as much can *be gained by employing the working class on the land, as from their exertions in various other employments*, which in such a state of society abound, the business of cultivation will be abandoned. Rent, in such a case, necessarily consists merely of *surplus profits*..." (loc. cit., p. 188). Rent ceases to have any influence on wages. "When the engagement of the laborer is with a capitalist, this *dependance on the landlord is dissolved*..." (p. 189).

As we shall see later, Jones does not really explain how *surplus profit* arises, or rather, he explains it only in Ricardian fashion, i.e., by the difference in the degrees of natural fertility of different soils.

> "*When* rents *consist of surplus profits*, there are three causes from which the rent of a particular spot of ground may increase:
>
> "First, an increase of the produce from the accumulation of larger quantities of capital in its cultivation;
>
> "Secondly, the more efficient application of capital already employed;

> "Thirdly, (the capital and produce remaining the same) the diminution of the share of the producing classes in that produce, and a corresponding increase of the share of the landlord.
>
> "These causes may combine in different proportions..." (p. 189).

We shall see what is involved by these different causes. First of all they all presuppose that rent consists of surplus profit; and then there is not the slightest doubt that the first cause to which Ricardo alludes only once and then only incidentally, is correct. When the capital employed in agriculture increases, the amount of rent increases as well, even though the *price of corn*, etc., does not rise and no other change whatever takes place. It is clear that, in this case, the *price of land rises*, although corn prices do not and no change whatever takes place in them.

Jones declares rent on the *worst soil* to be *monopoly price*. He therefore restricts the real source of rent either to *monopoly price* (in the same way as Buchanan, Sismondi, Hopkins, and others) if it is *absolute rent* (not arising from differences in the fertility of the different kinds of soil) or to *differential rent* (in the Ricardian sense).

<As regards *absolute rent*, let us take a *gold mine*. We assume that the capital employed is £100, the average profit £10, rent £10, and that half the capital consists of constant capital (in this case, machinery and auxiliary materials) and half of variable capital. The £50 of constant capital means nothing more than that it contains the same amount of labour-time as ||1124| is embodied in £50 worth of gold. That part of the product which is worth £50 therefore replaces this constant capital. If the rest of the product is worth £70 and if 50 workers are set to work with the £50 of variable capital (assuming a working-day of 12 hours), then the labour of these 50

workers must be expressed in £70 worth of gold, of which £50 goes to pay wages and £20 represents unpaid labour. The value of the products of all capitals of the same composition will then be 120; the product will then consist of 50c and 70, [the 70] corresponding to 50 working-days, that is, 50v plus 20s. A capital of 100, utilising more constant capital and a smaller number of workers, would produce a product of less value. However, all ordinary industrial capitals, although the value of their products would, in these circumstances, amount to 120, would only sell them at their production price of 110. But in the case of the gold mine, this is impossible quite apart from the ownership of land, because in this case the value is expressed in the product in kind. A rent of £10 would therefore of necessity arise.>

> "Corn may he selling [...] at a *monopoly price*, that is, at a price which more than pays the *costs and profits of those who grow it under the least favourable circumstances;* or at such a price as will only *repay* their[g] *common profits*." In the first case "abstracting from all difference of fertility in the soils cultivated", (the) "*increased produce obtained by increased capital* (prices remaining the same) may increase the rents, in proportion to the increased capital laid out." "Let[h] 10 per cent be the ordinary rate of profit. If the corn produced [...] by £100 sold for £115, the rent would be £5. If in the progress of improvement the capital employed on the same land were doubled, and the produce doubled, then £200 would yield £230 and [...] £10 would be rent and the rent will be doubled" (op. cit., p. 191).

<This applies to absolute rent as well as to differential rent.>

> "In small communities corn may be constantly at a *monopoly price*... In larger countries too [...] corn may [...] he at a monopoly price,[i] provided the increase of population keeps steadily ahead of the increase

of tillage [...] however [...] monopoly price of corn is [...] unusual in countries of considerable extent and great variety of soil. In such countries, if the produce of the soils in cultivation sells for more than will realise the usual rate of profit on the capital employed, other[j] lands are cultivated; or more capital laid out on the old bands, till the cultivator finds he can barely get the ordinary profit on his outlay. Then [...] tillage will stop, and in such countries [...] corn is usually sold at a price not more than sufficient to replace the capital employed under the least favorable circumstances, and the ordinary rate of profit on it: and the rent paid on the better soils is then measured by the excess of their produce over that of the poorest soil cultivated by similar capitals" (loc. cit., pp. 191-92).

"All [...] that is necessary to effect a rise of rents over the surface of a country possessing soils of unequal goodness, is this: that the better soils should yield to the additional capital employed upon them in the progress of cultivation, something more than the soils confessedly inferior to them; for then while the means can be found of employing fresh capital on any soil between the extremes A and Z, at the ordinary rate of profit, rents will rise on all the soils superior to that particular soil" (p. 195).

"Let A have been [...] cultivated with £100 yielding annually £110, £10 being the ordinary profits [...] and B with £100 yielding £115: and C with £100 yielding £120: and so on to Z [...] the rent of B would be £5, and that of C £10 [...] each of these qualities of soil be cultivated with a capital of £200 [...] A will produce £220, B £230, C £240... The rent of B, therefore, will have become £10, that of C £20" (p. 193).

"... the *general accumulation* of the capital employed in cultivation, while it augments the produce of all gradations of soil, somewhat in proportion to their original goodness, *must of itself raise rents; without reference to any progressive diminution in the return to the*

> *labor and capital employed*, and, indeed, *quite independently of any other cause whatever*" (p. 195).

It is one of Jones's merits, that he is the first who clearly brings out the fact that once rent has come into being, its growth will on the whole <provided no revolution in the mode of production takes place> result from the increase of agricultural capital, that is, of capital employed on land. This may be the case not only if prices remain the same but even when they *fall* below their former level.

||1125| In opposition to the view that productivity [in agriculture] gradually diminishes, Jones remarks:

> "The average corn produce of England at one time did not exceed 12 bushels per acre; it is now about double" (p. 199).

> "... every successive portion of capital and labor concentrated on the land, may be more economically and efficiently applied than the last" (pp. 199-200).

Rent will double, triple and quadruple, and so on, if the capital invested in the old band is doubled, tripled, quadrupled,[k] "without a diminished return, and without altering the relative fertility of the soils cultivated" p. 204).

This is therefore the first point on which Jones is in advance of Ricardo. Once rent exists, it may increase as a result of the mere increase in the amount of capital employed on the land, irrespective of any change either in the relative fertility of the soils, or in the returns yielded by the successive doses of capital employed, or any alteration whatever in the *price* of agricultural produce.

Jones's next point is this:

> "... it is not essential to the rise that the *proportion between the fertility of the soils* should be exactly *stationary*" (p. 205).

<Here Jones overlooks the fact that conversely, an *increasing disparity*, even when the whole agricultural capital is more productively employed, must and will increase the amount of the differential rent. On the other hand, a *diminution* in the differences of the fertility of the various soils must diminish differential rent, i.e., rent arising from *those differences*. By taking away the cause you take away the effect. Nevertheless, rent (apart from absolute rent) may increase, but in that case only in consequence of an in crease of the agricultural capital employed.>

> "... Mr. Ricardo [...] had [...] overlooked the necessarily *unequal effects of additional capitol on soils of unequal fertility*" (l.c., [p. 205]).

(This means nothing more than that the employment of additional capital adds to the differences of relative fertility, and, in that way, to differential rent.)

> "If [...] numbers, bearing a certain proportion to each other, are multiplied by the same number [...] the proportion [...] will be the same as those of the original numbers; yet the *difference between*[1] *the amounts* of the several products, will increase at each step of the process. If 10, 15, 20, be multiplied by 2 or 4, and become 20, 30, 40, or 40, 60, 80, their relative proportions will not be disturbed: 80 and 60 bear the same proportion to 40, as 20 and 15 to 10: but the *differences between the amounts of their products* will have increased at each operation, and from being 5 and 10, become 10 and 20, and then 20 and 40" (pp. 206-07).

This law works out simply as follows:

		5		10					
1.	10,		15,		20.	The difference	5 [and	Sum of the differences	15.

							10].		
		10		20					
2.	20,		30,		40.	" "	10 [and 20].	" "	30.
		20		40					
3.	40,		60,		80.	" "	20 [and 40].	" "	60.
		[40]		[80]					
4.	80,		120,		160.	[" "	40 and 80.	" "	120.]

The difference between the terms is doubled in 2 and quadrupled in 3. The sum of the differences is likewise doubled in 2 and quadrupled in 3.

This therefore is the second law.

The *first law* (applied by Jones only to differential rent) is that the amount of rent increases with the increase of the amount of capital employed. If rent is 5 for 100, then it is 10 for 200.

||1126| The *second law*. All other circumstances remaining the same, and the proportional difference between the capitals employed on different soils remaining the same, the *amount of that difference*, and hence the amount of the aggregate rent or the sum of those differences increases, as the absolute quantity of that difference—resulting from the increase of the capitals employed—increases. Hence the *second law* is: the amount of differential rent increases in proportion as

the differences of the products increase when the relative fertility remains the same, but capital employed on the different soils is increased uniformly.

Further: "If £100 be employed on classes A, B and C, with a produce of £110, £115, £120, and subsequently £200, with returns of £220, £228 and £235, the relative differences of the products will have diminished, and the soils will have *approximated in fertility;* still the *difference of the amounts of their products* will be increased from £5 and £10 to £8 and £15, and rents will have risen accordingly. Improvements, therefore, which tend to approximate the degrees of fertility of the cultivated soils, may very well raise rents, and that without the co-operation of any other cause" (loc. cit., p.208).

> "The turnip and sheep husbandry, and the fresh capital employed to carry it on, produced a greater alteration in the fertility of the poor soils than in that of the better; still it increased the *absolute produce of each*, and, therefore, it raised rents, while it diminished the differences in the fertility of the soils cultivated" (loc. cit.).

With regard to Ricardo's view that improvements may cause rents to fall , "it is only necessary to remember the slowly progressive manner in which agricultural improvements are practically discovered, completed, and spread..." (p. 211).

<This last passage is only of practical interest and does not affect the problem as such, but refers only to the fact that improvements do not proceed so rapidly as to considerably augment supply in regard to demand and thus to reduce market prices.>

Originally we have:

	a	b	c
1.	10	15	20

The capital employed in each class amounts to 100; the product to 110, 115, 120. The *difference* amounts to 5+10=15.

As a result of improvements made, twice as much capital is employed, that is, [£]200 instead of [£]100 in each of the classes a, b and c. But the capital has a different effect in the different classes and the products yielded are 220 (that is, double that of a), 228 and 235. Thus:

	a	b	c
2.	20	28	35

£200 capital is employed in each class. The products amount to [£]220, [£] 228 and [£]235. The *difference* amounts to [£] 8+ [£]15=[£]23. But the rate of difference has been reduced. 5:10 (i.e., [the ratio of the differences] b-a [to a] in the first case)=$^{1}/_{2}$ and 10:10=1, whereas 8:20 is only $^{8}/_{20}$ or $^{2}/_{5}$ and 15:20= $^{15}/_{20}$ or $^{3}/_{4}$. The rate of difference has declined but its amount has increased. This does not, however, constitute a new law, but only shows that the increase of capital employed leads to an increase in rent as in the first law, although the increase in a, b and c is not proportional to their original differences of fertility. If prices were to fall as a consequence of this increased fertility (which is however [relatively] diminished fertility for b and c, for otherwise their product would have to be 230 and 240 respectively), it would by no means be necessary for the rent to rise or even to remain stationary.

||1127| As a consequence, a sequel, of the second law, a further application of it can be considered:

The *third law*—if "improvements in the efficiency of the capital employed in cultivation" increase the *surplus*

profits realised on particular spots of land, they increase rent.

The following passages (together with the earlier ones) refer to this.

> "...the[m] first source [...] of a rise of farmers' rents, namely,[n] the *progressive accumulation* and *unequal effects of capital on all gradations of soils*" (p. 234).

<This, however, can only refer to improvements which relate directly to the fertility of the soil as, for instance, manures, rotation of crops, etc.>

> "Improvements [...] in the efficiency of the capital employed in cultivation, raise rents by increasing the *surplus profits realised on particular spots of land*. They invariably produce this increase of surplus profits, *unless they augment the moss of raw produce so rapidly as to outstrip the progress of demand* [...] Such improvements in the efficiency of the capital employed, do usually occur in the progress of agricultural skill, and of the accumulation of *greater masses of auxiliary capital*" (constant capital). "A rise of rents from this cause, is generally followed *by the spread of tillage to inferior soils*, without any diminution[o] in the returns to agricultural capital on the worst spots reclaimed" (p. 244).

<Jones very correctly declares that a fall in profits *does not prove* decreasing efficiency of agricultural industry. But he himself explains most inadequately how such a fall can come about. [According to him] either the amount produced or its division between labourers and capitalists may change. Jones has as yet not the faintest notion of the real law of declining rate of profit.

> "A fall of Profits is no Proof of the decreasing Efficiency of agricultural Industry" (p. 257).

> "... profits depend partly on the *amount* of the produce of labor, partly on the *division* of

> that produce between the laborers and capitalists; and [...] their amount, therefore, might vary from a change in either of these particulars" (p. 260).

This is the reason for the incorrect law which he elaborates:

> "When, abstracting from the effects of taxation, an apparent diminution takes place in the revenues of the producing classes considered jointly" (what revenue means is not explained here, [whether] value in use or value in exchange, amount of profit or rate [of profit]), "when there is a *fall in the rote of profits, not compensated by a rise of wages*, or a fall of wages not compensated by a rise in the rate of profits",[p] (that is precisely what Ricardo's law says, and it is wrong) "there has been, it may be argued, some decrease in the productive power of labor and capital"... (p. 273).>

Jones correctly grasps that a *relative increase* [in the value] of agricultural produce as compared to [that of] industrial produce may take place in the progress of society although in point of fact, agriculture is progressing absolutely.

> "In the progress of nations, an increase of manufacturing power and skill usually occurs, *greater* than that which can be expected in the agriculture of an increasing people. This is an unquestionable [...] truth. *A rise in the relative value of raw produce* may, therefore, be expected in the advance of nations, and this from a cause quite distinct from[q] *any positive decrease* in the efficiency of agriculture" (p. 265).

But this does not explain the *positive* rise in the *money prices* of raw produce, unless a fall in the value of gold takes place which in manufacture is balanced and more than balanced by a still greater fall in the [value of] commodities produced, while in agriculture it is not

balanced in this way. This may happen, even ||1128| if no general fall in the value of gold (money) takes place, but when a particular nation, for instance, buys more money with a day's work than the competing nations do.

Jones explains his reasons for not believing that in England the Ricardian law operates, the abstract possibility of which he does admit however.

> "If rents [...] should ever rise from that cause alone, which has been so confidently stated by Mr. Ricardo [...] 'the employment of an additional quantity of labor with a proportionally less return', and a consequent transfer to the landlords of a part of the produce [...] obtained on the better soils; then the *average proportion of the gross produce* taken by the landlords as rent, will necessarily increase." Secondly, "the industry of a larger proportion of the population must be devoted to agriculture" (pp. 280 and 281).

(This last statement is not quite correct. It is possible that a greater portion of indirect labour is employed—i.e., more commodities provided by industry and commerce enter the agricultural process, without increasing the gross product proportionally, and without the employment of more immediate labour. There may be even less employed.)

> "The statistical history of England presents to us [...] three facts [...] a spread of tillage accompanied by a rise in the general rental of the country [...] a diminution of the proportion of people employed in agriculture [...] a decrease in the landlord's proportion of the produce" (p. 282).

(This last development, just as the decline in the rate of profit, is due to the increase in that part of the product which replaces constant capital. At the same time, rent can increase in both amount and value.)

"Adam Smith [...] goes on to say [...] 'In the progress of improvement, rent, though it increases in proportion to the extent, diminishes in proportion to the produce of the land'" (p. 284).

Jones calls constant capital "auxiliary capital".

"It appears from various returns made at different times to the Board of Agriculture, that the whole capital agriculturally employed in England, is to that applied to the support of labourers, as 5 to 1; that is, there are four times as much auxiliary capital used, as there is of capital applied to the maintenance of the labor used directly in tillage. In France, [...] more than twice" (p. 223).

"... when a given quantity of additional capital is applied *in the shape of the results of past labor*, to assist the laborers actually employed, *a less annual return* will suffice to make the employment of such capital profitable, and, therefore, permanently practicable, than if the same quantity of fresh capital were expended in the support of additional laborers..." (p. 224).

"Let us suppose £100 employed upon the soil[r] in the maintenance of three men, producing their own wages, and 10 per cent profit on them, or £110. Let the capital employed [...] be doubled. And first let the fresh capital support three additional laborers. In that case, the increased produce must consist of the full amount of their wages, and the ordinary rate of profit on them. It must consist, therefore, of the whole £100, and the profit on it; or of £110. Next let the same additional capital of £100 be applied in the shape of implements, manures, or any results of past labor, while the number of actual laborers remains the same [...] this auxiliary capital to last on the average for five years: the annual return to repay the capitalist must now consist of £10 his profit, and of £20 the annual wear and tear of his capital: or £30 will be the annual return, necessary to make the

continuous employment of the second £100 profitable, instead of £110, the amount necessary when direct labor was employed by it. It will be obvious, therefore, that the accumulation of auxiliary capital in cultivation, will be practicable when the employment of the same amount of capital in the support of additional labor has ceased to he so: and that the accumulation of such capital [...] may go on for an indefinite period..." (pp. 224-25).

"... the progress[s] of auxiliary capital both increases the command of man over the powers of the soil, relatively to the ||1129| amount of labor directly or indirectly employed upon it; and *diminishes the annual return* necessary to make the progressive employment of given quantities of fresh capital profitable..." (p. 227).

"If we suppose any capital (£100 for instance) employed upon the soil, wholly in paying the wages of labor, and yielding 10 per cent profit, the revenue of the farmer will [...] be one-tenth that of the laborers. If the capital be doubled[t] [...] then the revenue of the farmers will continue to bear the same proportion to that of the laborers. But if the number of laborers remaining the same, the amount of capital is doubled, profits [...] become £20, or one-fifth of the revenue [...] If the capital be quadrupled, profits become £40, or two-fifths of the revenue of the laborers: if the capital be increased to £500, profits would become £50, or half the revenue of the laborers. And the wealth, the influence, and probably to some extent, the numbers of the capitalists in the community, would be *proportionably* increased... A *great increase* of capital [...] usually makes the *employment of some additional direct labor* necessary. This circumstance, however, will not prevent the *steady progress of the relative increase of the auxiliary capital*" (pp. 231-32).

The first important point in this passage is that, with the increase in capital, the auxiliary capital increases in comparison to the variable capital, in other words, that

the latter declines *relatively* in comparison with the constant capital.

The fact that the *annual returns* decline in proportion to the capital advanced if there is an increase in that part of the auxiliary capital which consists of fixed capital, that is, if its turnover period extends over several years—its value only entering into the product annually in the form of depreciation—is not a phenomenon peculiar to agriculture, but a general one. Although, in industry, the raw material worked up during the year increases even more rapidly than the size of the fixed capital. Compare, for example, the amount of raw cotton which a spinning-jenny consumes weekly or annually with that used up by a spinning-wheel. But suppose, for example, that in (large-scale) tailoring the same amount of raw material in terms of *value* is worked up (although not the same physical amount, the raw material being dearer than that used in spinning), then the annual return in tailoring will be considerably larger than in spinning, because a greater part of the (fixed) capital laid out in the latter only enters into the product as annual depreciation.

The *value* of the annual return in agriculture (where what one can regard as the raw material, the seed, does not increase in the same proportion as the other elements of constant capital, especially fixed capital) is naturally smaller if the capital increases as a result of an increase in the constant capital only and not in the variable. For the variable capital must be entirely replaced in the product, the other [constant capital] only insofar as it is consumed annually. If it is assumed that the *price of grain* is given, when a quarter is equal to l0s., 220 quarters are required to replace a capital of £100 at a profit of 10 per cent, whereas only 60 quarters (£30) are required to replace a wear and tear amounting to £20 and a profit of £10. A smaller absolute return yields the same profit (as is the case in industry in similar circumstances). Jones's reasoning, however, contains several fallacies.

First of all, it cannot be asserted (on the assumptions *made*) that the productive powers of the soil have increased. They have increased in comparison with the labour employed directly, but not compared with the total capital employed. All that can be said is that less *gross produce* is necessary in order to yield the same *net produce*, i.e., the same profit as before.

||1130| Further, the increase in the farmer's revenue in comparison to that *of the labourers*, is important in this *special* sphere insofar as here the part of the total product which constitutes profit increases, and goes on increasing, relatively to that part which goes to the labourers. As a result, the wealth and influence of the farming capitalist as compared to his labourers undoubtedly grow and expand. But Jones seems to make the following calculation: [£]10 on [£]100 is $^{1}/_{10}$. £20 on £120 (i.e., £100 expended in labour and £20 depreciation) is $^{1}/_{6}$ and the £20 is $^{1}/_{5}$ of the sum paid out to the workers, etc. But nothing is more fallacious than that, generally speaking, the rate of profit can increase while the amount of capital laid out on labour declines. Exactly the opposite takes place. Proportionally less surplus-value is produced, and the rate of profit therefore falls. As regards the farmer specifically (and also each particular enterprise taken in isolation) the rate of profit may remain the same whether he employs three workers or six workers with a capital of £200.

The fact that rent is equal to surplus profit, i.e., to the excess over and above the average profit, presupposes not only that agriculture is *formally* subordinated to capitalist production, but also that equalisation of rates of profit takes place in the various spheres of production, specifically also between agriculture and industry. If this is not the case rent (like profit) may be equal to the *surplus over wages*. It may even represent a part of profit or be a deduction from wages.

2. Richard Jones, "An Introductory Lecture on Political Economy etc." [The Concept of the "Economical Structure of Nations". Jones's Confusion with regard to the "Labor Fund"]

Richard Jones, *An Introductory Lecture on Political Economy, delivered at King's College, London, 27th February, 1833.* To which is added a Syllabus of a Course of Lectures on the Wages of Labor, London, 1833.

[In the *Introductory Lecture*, Jones says:]

> "... property in the soil almost universally rests, at one time of a people's career, either in the general government, or in persons deriving their interest from it" (p. 14).
>
> "... by economical structure of nations, I mean those relations between the different classes which are established in the first instance by the institution of property in the soil, and by the distribution of its surplus produce; afterwards modified and changed (to a greater or less extent) by the *introduction of capitalists* as agents in producing and exchanging wealth, and in feeding and employing the labouring population" (pp. 21-22). |1130||

||1130| By "labour fund" Jones understands:

> "...the aggregate amount of the revenues consumed by the laborers, whatever be the source of those revenues" ([*Syllabus*,] p. 44).

The main point (the term "labor fund" probably comes from Malthus?) in Jones's work is that the whole economic structure of society revolves around the *form of labour*, in other words, the form in which the worker appropriates his means of subsistence, or that part of his product upon which he lives. This labour fund has various forms and *capital* is merely one of them, it is a form which arises rather late in the historical development. It is only in Richard Jones's work that the important differentiation—between labour that is paid out of capital and labour paid directly out of revenue—made by Adam Smith receives the full elaboration of which it is capable and becomes a major key for understanding the various economic formations of society. And with it disappears the absurd notion that, because in capital the worker's revenue first takes the form of something appropriated, alias *saved*, by the capitalist, this signifies more than a formal difference.

> "Even when we travel westward and observe the more advanced European nations [...] we can [...] trace[u] the effects of [...] the social conformation which results from the peculiar mode of distributing the produce of their land and labor, established in the early period ||1131| of the existence of agricultural nations" (p. 10) (namely a class of agricultural labourers, secondly landlords, thirdly menials, retainers and artisans who participate in the consumption of the revenue of the landlords either directly or indirectly).

Capital, that is, *accumulated wealth employed for the purpose of obtaining profit* is the great agent, the motive power which causes the *changes* that take place in this economic conformation.[v]

> "Let me assure you [...] that ... in analysing the respective productive powers of different

> nations,[w] you will find the distinct division of wealth here pointed out, acting a most important part in modifying the ties which connect the different classes of the community, and in determining their productive power" [p. 17].
>
> "In Asia, and in part of Europe, (it was formerly the case throughout Europe,) the *non-agricultural* classes are almost wholly maintained from the incomes of the other classes; principally from the incomes of the landholders. If you want the labour of an artisan, you provide him with materials; he comes to your house, you feed and pay him his wages. After a time, the capitalist steps in, *he provides the materials, he advances the wages of the workman, he becomes his employer*, and he is *the owner of the article produced*, which he exchanges for your money... An intermediate class appears between the landowners and a portion of the *non-agriculturists*, upon which intermediate class, those non-agriculturists are dependent for employment and subsistence. The ties which formerly bound the community together are worn out and fall to pieces; other bonds, other principles of cohesion, connect its different classes: *new economical relations* spring into being... Not only is the[x] great body of non-agriculturists almost wholly in[y] the pay of capitalists, but even the labouring cultivators of the soil [...] are their servants too" (loc. cit., pp. 18-19).

The *Syllabus of a Course of Lectures on the Wages of Labor* differs from the book on rent in this: the book examines the different forms of landed property to which different social forms of labour correspond. In the *Syllabus*, these different forms of labour are the point of departure and both the different forms of landed property and capital are regarded as their offspring. The determinate social form of the worker's labour corresponds to the form which the conditions of labour—that is, in particular, the land, nature, since this

relationship embraces all others—assume in respect of the worker. But the former is in fact merely the objective expression of the latter.

We shall see, therefore, that the different forms of the labour fund correspond to the different ways in which the worker confronts his own conditions of production. The manner in which he appropriates his product (or part of it) depends on his relations to his conditions of production.

The "Labor Fund," says Jones, "may be divided [...] into three [...] classes.

> "1st.—Revenues which are produced by the laborers who consume them, and never belong to any other persons." (In this case, quite irrespective of the *particular* form, the worker must in fact be the owner of his instruments of production.)
>
> "2nd.—Revenues belonging to classes distinct from the laborers, and expended by those classes in the direct maintenance of labor.
>
> "*3rd.—Capital* in its [...] proper sense [...]
>
> "These distinct branches of the Labor Fund may all be observed in our own country; but when we look abroad, we see those parts of that Fund, which are the most limited here, constituting elsewhere the main sources of subsistence to the population [...] and determining the character and position of the majority of the people..." (pp. 45-46).

To point 1. "... the wages of *laboring cultivators, or occupying peasants*... Laboring[z] cultivators, or peasants, may be divided into three groups[aa]— *hereditary occupiers, proprietors, tenants*. The [...] tenants may be subdivided into[bb] *serfs, me layers, cottiers;* the last [...] peculiar to Ireland. Something which may be called rent, or

something which may be called profit, is often[cc] mixed up with the revenues of peasant cultivators of all classes; but *when 'their subsistence is essentially dependent on the reward of their manual labor*', they come within the limits of our present inquiry"[dd] (p. 46).

> "Thus, among the labouring peasants there are:

α) "Hereditary occupiers, who are laboring cultivators; ||1132| [...] ancient Greece, modern Asia, more especially India" (p. 46).

β) [peasant] "... *proprietors* [...] France, Germany, America, Australia [...] state of Ancient Palestine".

γ) "cottiers" (pp. 46-48).

The characteristic feature of these groups is that the worker reproduces the labour fund for himself. It *is not transformed into capital.* Just as the worker directly produces the labour fund, so he appropriates it directly, although his surplus labour may be appropriated either wholly or in part by him himself or may be appropriated entirely by other classes, depending on the particular form which his relation to his conditions of production assumes. It is entirely due to economic prejudice that Jones describes this category as wage-labourers. Nothing which characterises wage-labourers exists amongst them. It is a pretty bourgeois economic fancy that, because that part of the product which the worker appropriates to himself under capitalism appears as *wages*, the part of his product which the worker himself consumes must be *wages*.

With regard to point 2. "The laborers so maintained are now limited in England to[ee] menial servants, soldiers [...] sailors, and a *few artizans working on their own account*, and paid *out of the incomes of their employers*. Over a considerable portion of the earth this

branch of the General Labor Fund maintains nearly the whole of the *non-agricultural laborers* […] Former prevalence of this Fund in England. Warwick the king-maker. The English gentry. Present prevalence in the East. Mechanics, menials. Large bodies of troops so maintained. Consequences of the concentration of this Fund throughout Asia in the hands of the sovereign. Sudden rise of cities; sudden desertion. Samarcand; Candahar, and others" (pp. 48-49).

Jones overlooks two main forms: the Asiatic communal system with its unity of agriculture and industry. And secondly, the urban craft guild system of the Middle Ages, [which] also [existed] partially in the Ancient World.

With regard to point 3. *Capital* "should never be confounded with the *General Labor Fund* of the world—of which a large proportion consists of […] revenues […] All branches of a nation's revenues … contribute to the accumulations by which capital is formed. They contribute in different proportions in different countries and different stages of society. When wages and rents contribute the most" (p. 50).

Because surplus labour is converted into capital (instead of being exchanged directly as revenue for labour), capital seems to appear as something *saved* out of revenue. Jones considers it mainly from this point of view. And in the progress of society the great mass of capital does, in fact, consist of revenue reconverted in this way. But in the capitalist mode of production the original labour fund itself likewise appears as something *saved* by the capitalist. The reproduced labour fund does not remain in the possession of the worker as in case 1), but appears as the property of the capitalist and confronts the worker as the property of *someone else*. And this point is not elaborated by Jones.

What Jones has to say about the rate of profits and its influence on accumulation in the *Course [of Lectures*] is rather inadequate:

> "*All other things being equal*, the power of a nation to save from its profits varies with the *rate of profits:* is great when they are high, less when low; but as the rate of profits decline, *all other things do not remain equal.* The *quantities of capital employed relatively to the numbers of the population* may *increase*" [p. 50].

<What Jones does not understand is how, as a result of the "*may*" increase, the rate of profits *sinks because* "the *quantities of capital* employed *relatively to the numbers of the population have increased*". But he approaches close to the correct view.>

> "Inducements and facilities to accumulate may increase... a *low rate of profits* is ordinarily accompanied by a *rapid rate of accumulation*, relatively to the numbers of the people, as in England, and a *high rate of profit* by a slower rate of accumulation, relatively to the numbers of [...] people, ||1133| as in Poland, Russia, India, etc..." (pp. 50-51).

Where the rate of profit is high (apart from cases where, as in North America, there is capitalist production on the one hand and, on the other hand, the value of all agricultural produce is low) it is *generally* due to the fact that capital consists mainly of variable capital, that is, direct labour predominates. Assume a capital of 100, of which $^{1}/_{5}$ is variable capital. And assume further that the surplus labour amounts to a third of a working-day. In this case, profit would amount to 10 per cent. Assume [on the other hand] that $^{4}/_{5}$ of the capital consists of variable capital and that surplus labour amounts to $^{1}/_{6}$ of the working-day. In this case, profit would amount to 16 per cent.

> "Error of the doctrine, that whenever, in the progress of nations, the *rate of profit* declines, the means of providing subsistence for an increasing population must be becoming less. Foundations of this error: 1st. A mistaken notion, that accumulation from profits must be slow where the rate of profits is low, and rapid where it is high. 2d. A mistaken belief that profits are the only source of accumulation. 3d. A mistaken belief that all the laborers of the earth subsist on accumulations and *savings from revenue*, and never *on revenue itself*" (p. 51).

[Jones speaks of]

> "Alterations which take place in the economical structure of nations when *capital assumes the task of advancing the wages of labour*". |1133||

||1157| Richard Jones sums up correctly in the following passage: |1157||

> ||1133| "*The amount of capital devoted to the maintenance of labour may vary, independently of any changes in the whole amount of capital.*" (This proposition is important.) "Great fluctuations in the amount of employment and great suffering [...] may sometimes be observed to become more frequent *as capital itself becomes more plentiful*" (p. 52). |1133||

||1157| The total amount of capital may remain *the same* and a *change* (decline especially) may take place in the variable capital. A change in the proportion between the two constituent parts of capital does not necessarily involve a change in the size of the total [capital].

An increase in the total capital, on the other hand, may be accompanied not only by a relative, but by an absolute diminution of variable capital and is always connected with violent fluctuations in the variable capital and

consequently with “fluctuations in the amount of employment”. |1157||

[Later on in the *Syllabus*, Jones writes:]

||1133| “*Periods of gradual transition of the laborers from dependence on one fund to dependence on another… Transfer of the laboring cultivators to the pay of capitalists… Transfer of non-agricultural classes to the employ of capitalists*”… (pp. 52-53).

What Jones calls “transfer” here, is what I call “primitive accumulation”. This is merely a formal difference. It is also in contradiction to the absurd notion of “savings”.

***

Slavery: “Slaves may be divided into pastoral—predial—domestic— slaves of a mixed character, between predial and domestic… We find them[ff] as cultivating peasants;—as menials or artisans, maintained from the incomes of the rich;—as *laborers maintained from capital*” (p. 59).

But so long as slavery is predominant, the capital relationship can only be sporadic and subordinate, never dominant.

3. Richard Jones, “Text-book of Lectures on the Political Economy of Nations”, Hertford, 1852

[a) Jones's Views Of Capital and the Problem of Productive and Unproductive Labour]

[Jones writes in the *Text-book of Lectures on the Political Economy of Nations*:]

> "The productiveness of the industry of nations really depends [...] on two circumstances. First, on the *fertility or barrenness of the original sources*"(land and water) "of the wealth they produce. Secondly, on the *efficiency of the labour* they apply in dealing with those sources, or fashioning the commodities they obtained from them" (p. 4).
>
> "... *the efficiency of human labor* will depend—
>
> "*1st.—On the continuity* with which it is exerted.
>
> "*2ndly.—On the knowledge* and *skill* with which it is applied, to effect the purpose of the producer.
>
> "3rdly.—On the *mechanical power* by which it is aided..." (p. 6).
>
> "The *power* exerted by human labourers in producing wealth ... may be increased [...]
>
> "1st.—By enlisting in their service, *motive forces* greater than their own...
>
> "2ndly.—By employing any amount or kind of motive ||1134| forces at their command, *with increased mechanical advantage* [...] Let a steam-engine with a motive force of 40 horses be attached to a loaded train on a common turnpike road [and it will make but little way: level the road perfectly... and it will move at a rapid pace[gg]]" (p. 8.)
>
> "The best form of a plough [...] will do as much work, and as well, with two horses, as the worst with four" (p. 9).

> "The steam-engine is not a mere *tool*, it gives *additional motive force*, not merely the *means of using forces* the labourer already possesses, *with a greater mechanical advantage*" (p. 10, note).

This is, therefore, according to Jones, the difference between a tool and machinery. The former provides the worker with means for employing the power he possesses to a greater mechanical advantage, the latter provides an increase of motive force. (?)

> "*Capital* ... consists of wealth *saved from revenue*, and used *with a view to profit*" (p. 16). "The possible sources of capital [...] are obviously, all the revenues of all the individuals composing a community, from which revenues it is possible that any saving can be made. The particular classes of income which yield the most abundantly to the progress of national capital, *change at different stages of their progress*, and are therefore found *entirely different* in nations occupying different positions in that progress" (p. 16).

Profit is therefore by no means the only source from which capital is formed or augmented: it is even an unimportant source of accumulation, compared with wages and rents, in the earlier stages of society[hh] (p. 20).

> "... when a considerable advance in the powers of national industry has actually taken place, profits rise into comparative importance as a source of accumulation" (p. 21).

According to this, capital is a part of the wealth which constitutes revenue, the part which is expended not as revenue but for the purpose of producing profit. Profit is already a form of surplus-value which specifically presupposes capital. If the capitalist mode of production, i.e., capital, is postulated, then the explanation is correct; in other words, if one postulates what has to be explained. But here Jones means all revenue spent, not

as revenue, but with the aim of enrichment, that is, productively.

Two aspects are, however, important in this context.

First: To a certain extent accumulation of wealth takes place in all stages of economic development, that is, partly an expansion of the scale of production and partly, the accumulation of treasure, etc. As long as wages and rents predominate—that is, according to what was said earlier, as long as the greater part of the surplus labour and surplus product which does not accrue to the worker himself, goes to the landowner (the State in Asia) and, on the other hand, the worker reproduces his labour fund himself, i.e., he not only produces his own wages himself, but pays them to himself, usually, moreover, (almost always in that state of society) he is also able to appropriate at least a part of his surplus labour and his surplus product—in this state of society, wages and rent are the main sources of accumulation as well. (In these circumstances profit is restricted to merchants, etc.) Only when the capitalist mode of production has become predominant, when it does not merely exist sporadically, but has subordinated to itself the mode of production of society; when in fact the capitalist directly appropriates the whole surplus labour and surplus product in the first instance, although he has to hand over portions of it to the landowner, etc.—only then does profit become the principal source of capital, of accumulation, of wealth saved from revenue and used with a view to profit. This at the same time presupposes (as is implicit in the domination of the capitalist mode of production) that "a considerable advance in the power of national industry has actually taken place".

Jones thus answers those asses who imagine that no accumulation can take place without the profit yielded by capital or who justify profit by saying that the capitalist makes a sacrifice in order to *save* from his revenue for

productive purposes, by pointing out that in this particular (capitalist) mode of production the function "of accumulating" devolves principally on the capitalist whereas, in previous modes of production, it was the labourer himself and, in part, the landlord who played the chief roles in this process and profit played hardly any part in it.

Naturally the function [of accumulating] always devolves on those, 1) who pocket the surplus-value and, 2) among those who pocket the surplus-value in particular on the person who also acts as agent in the production process itself. By saying, therefore, ||1135| that profit is justified *by the fact* that the capitalist "saves" his capital out of profit and that he fulfils the function of accumulating, one merely says that the capitalist mode of production is justified because it exists—this, however, applies equally to the modes of production which preceded it and those which will succeed it. If one says that otherwise accumulation would be impossible, then one forgets that this particular method of accumulation through the agency of the capitalist has come into existence at a certain historical stage and is moving towards the historical date when it will cease to exist.

Secondly, once so much accumulated wealth has been concentrated in the hands of capitalists *per fas et nefas*[ii] that they can dominate production, then the greater part of existing capital—after a certain lapse of time—can be considered as having been derived only from profit (revenue), that is, from capitalised surplus-value.

A point which Jones does not sufficiently emphasise, and which he really only implies tacitly, is this: If the labouring producer pays himself his own wages and if his product does not at first assume the "shape" of other people's revenue from which savings are made and then

paid back by these people to the labourer, it is necessary that the labourer be in possession of his conditions of production (as property owner, or tenant, or hereditary occupier, etc.). In order that his wages and consequently the labour fund can confront him as alien capital, these conditions of production must have been lost to him and have assumed the shape of alien property. Only after his conditions of production together with his labour fund have been wrested from him and when, as *capital*, they are rendered independent in relation to him, does the further process begin, which is not concerned with the mere reproduction of these original conditions of production, but with their further development so that both the conditions of production and the labour fund confront the labourer as something "saved" from other people's revenue in order to be converted into capital. By losing possession of his conditions of production, and hence, of his labour fund, the labourer also loses the function of accumulating, and every addition he makes to wealth appears in the shape of other people's revenue which must first be "saved" by these people, that is to say, it must not be spent as revenue, if it is to perform the functions of capital and labour fund for the labourer.

Since Jones himself describes a state of affairs in which things have not yet reached this stage and where unity prevails, he certainly should have described this "*separation*" as the real generation process of capital. Once this separation exists, this process does indeed take place and it continues and extends, since the surplus labour of the worker always confronts him as the revenue of others, through the saving of which alone wealth can be accumulated and the scale of production extended.

The reconversion of revenue into capital. If *capital* (i.e., the separation of the conditions of production from the labourer) is the source of profit (i.e., of the fact that surplus labour appears as the revenue of

capital and not of labour) then profit becomes the source of capital, of new capital formation, i.e., of the fact that the additional conditions of production confront the worker as capital, as a means for maintaining him as a worker and of appropriating his surplus labour anew. The original unity between the worker and the conditions of production <abstracting from slavery, where the labourer himself belongs to the objective conditions of production> has two main forms: the Asiatic communal system (primitive communism) and small-scale agriculture based on the family (and linked with domestic industry) in one form or another. Both are embryonic forms and both are equally unfitted to develop labour as *social* labour and the productive power of social labour. Hence the necessity for the separation, for the rupture, for the antithesis of labour and property (by which property in the conditions of production is to be understood). The most extreme form of this rupture, and the one in which the productive forces of social labour are also most powerfully developed, is capital. The original unity can be reestablished only on the material foundation which capital creates and by means of the revolutions which, in the process of this creation, the working class and the whole society undergo.

Another point which Jones does not sufficiently emphasise is this:

Revenue which is exchanged as such against labour—if it is not the revenue of a labourer who works himself and employs an additional workman—is the revenue of the landowner, itself derived from the rent which the labourer pays him, and which the landlord does not entirely consume in kind, either by himself or together with his menials and retainers, but a part of which he uses to buy the products or services of additional workmen and so on. This always presupposes the first relationship.

||1136| <In the same way as part of the profit is classified as interest, even if the industrial capitalist employs only his own capital, because this form [of revenue] has a separate mode of existence, so, given the capitalist mode of production, even if the labourer—who does not employ any other labourers—owns his means of production, they are regarded as capital and the part of his own labour realised by him over and above the ordinary wage appears to be profit yielded by his capital. He himself is then divided up into different economic categories. As his own workman, he gets his wages, and as capitalist, he gets his profits. This observation belongs to the chapter "Revenue and Its Sources".>

> "... there is a difference between the influence, on the productive powers of nations, of that *wealth which has been saved*, and is *dispensed as wages with a view to profit;* and of that wealth which is advanced out of revenue for the support of labour. With a view to this distinction, I use the word *capital* to denote that portion of wealth exclusively which has been saved from revenue, and is used with a view to profit" (op. cit., pp. 36-37).

> "We might ... comprise, under the [...] term, capital, *all the wealth devoted to the maintenance of labour*, whether it has gone through any *previous process of saving or not*... we must, then, in tracing the position of the labouring classes and of their paymasters in different nations and under different circumstances, distinguish between *capital which has been saved*, and *capital which has undergone no process of accumulation;* between, in short, capital which is revenue, and capital which is not revenue..."(p. 36). "... in every country[jj] of the Old World, except England and Holland, the *wages* of the agriculturists *are not advanced out of funds which have been saved and accumulated from revenues*, but are *produced by the labourers themselves*, and

never *exist in any other shape than that of a stock for their own immediate consumption*" (p. 37).

What distinguishes Jones from the other economists (except perhaps Sismondi) is that he emphasises that the essential feature of capital is its socially determined form, and that he reduces the whole difference between the capitalist and other modes of production to this distinct form. It is that labour is directly converted into capital and that, on the other hand, this capital buys labour not for the sake of its use-value, but in order to increase its own value, to create surplus-value (i.e., a larger amount of exchange-value) and to use it "with a view to profit".

This shows, however, at the same time that the saving of revenue in order to convert it into capital and "accumulation" are distinguished from other methods only through the *form* in which "wealth is devoted to the maintenance of labour." The agricultural labourers in England and Holland who receive wages which are "advanced" by capital produce "their wages themselves" just like the French peasant or the self-supporting Russian serf. If the production process is considered in its continuity, then the capitalist advances the labourer as "wages" today only a part of the product which the labourer produced yesterday. Thus the difference [between the capitalist and other modes of production] does not lie in the fact that, in one case, the labourer produces his own wages and in the other case he does not produce them. The difference lies in the fact that [in one case] his product appears as *wages;* that in this case, the worker's product (i.e., the part of the product produced by the worker which makes up the labour fund) 1) appears as the revenue *of others;* 2) that then, however, it is not expended as revenue, and not spent on labour by means of which revenue is directly consumed, but, 3) that it confronts the worker as *capital* which returns to him this portion of the product, in exchange not merely for an

equivalent but for more labour than the product he receives contains. Thus his product appears in the first place as revenue of others, secondly, as something which is "saved" from revenue in order to be employed in the purchase of labour with a view to profit; in other words it is employed as *capital*.

And this process in which his own product confronts him as *capital*, is what is described as the labour fund, which "has gone through a previous process of saving", which "...has undergone a process of accumulation" prior to being converted into the labourer's means of subsistence, "...exists in *another shape*" (here it is expressly stated that merely *a change of form* takes place) "than that of a stock for their" (the labourers') "immediate consumption". The whole difference lies in the *transformation* which the labour fund produced by the worker undergoes before it comes back to him in the form of wages. In the case of peasants or independent artisans, it therefore never assumes the form of "wages".

||1137| "Saving" and "accumulation"—as far as the labour fund is concerned—are mere *names* here for the transformations which the worker's product undergoes. The labourer working on his own account consumes his product just like the wage-labourer, or rather, the latter does so just like the former. But in the case of the wage-earner, his product *appears* to be something saved or accumulated from the revenue of *someone else*, i.e., from the revenue of the capitalist. In fact, however, it is this process that makes it possible for the capitalist to "save" or "accumulate" the labourer's surplus labour for his own purposes, and this is the reason why Jones places such great emphasis on the fact that, in non-capitalist modes of production, accumulation does not arise from profit, but from wages, in other words, from the income of the self-supporting cultivator or the artisan who exchanges his labour directly for revenue (otherwise how could the middle class have arisen out of

the latter?) and from the rent of the landlord. But for the labour fund to undergo these transformations, the conditions of production must confront the labourer as capital, which is not the case in the other modes of production. The expansion of *wealth* does not appear to be due to the labourer in the latter case [the capitalist mode of production], but to the saving of profit, the reconversion of surplus-value into capital, in the same way as the labour fund itself (before its expansion as a result of new accumulation) confronts the labourer as capital.

> "Saving", taken literally, only makes sense with regard to the capitalist who capitalises his revenue, in contrast to the capitalist who consumes his revenue, i.e., spends it as revenue, but it is meaningless when applied to relations between capitalist and labourer.

Two cardinal facts about capitalist production:

[First,] concentration of the means of production in a few hands so that they no longer appear as the immediate property of the individual labourer, but as factors of social production, even though in the first instance they appear as the property of the non-working capitalists, who are their trustees in bourgeois society and enjoy all the fruits of this trusteeship.

Second: Organisation of labour itself as social labour brought about by co-operation, division of labour and the linking of labour with the results of social domination over natural forces.

In both these ways, capitalist production eliminates private property and private labour, even though as yet in antagonistic forms.

The main difference between productive and unproductive labour noted by Adam Smith, is that the former is exchanged directly for capital and the latter for

revenue—and the full meaning of this difference emerges first in Jones. His work shows that the first kind of labour is characteristic of the capitalist mode of production, and the second—where it is predominant—belongs to earlier modes of production, and, where it merely plays a subordinate role, is restricted (or ought to be restricted) to spheres which are not directly concerned with the production of wealth.

> "... *capital* is the instrument through which all the causes which augment the efficiency of human labour, and the productive powers of nations, are brought into play... Capital is the stored-up results of *past labour* used to produce some effect in some part of the task of producing wealth" (p. 35).

(In the note on page 35, he says:

> "It will be convenient, and it is reasonable, to consider the act of production as incomplete till the commodity produced has been placed in the hands of the person who is to consume it; all done previously has that point in view. The grocer's horse and cart which brings up our tea from Hertford to the College, is as essential to our possession of it for the purposes of consumption, as the labour of the Chinese who picked and dried the leaves.")

> "But ... *this capital* ... does not perform in every community *all the tasks it is capable of performing*. It takes them up gradually and successively in all cases; *and it is a remarkable and an all-important fact, that the one special function*, the performance of which is *essential* to the *serious advance of the power of capital in all its other functions, is exactly that* which, in the case of the greater portion of the labourers of mankind, *capital has never yet fulfilled at all*" (pp. 35-36).

> "I allude to the *advance of the wages of labour*" (p. 36).

> "The wages of labour are advanced by capitalists in the case of less than one-fourth of the labourers of the earth [....] this fact ... of vital importance in accounting for the comparative progress of nations" (loc. cit.)

||1138| "Capital, or accumulated stock, after performing various other functions in the production of wealth, only takes up late that of *advancing* to the labourer his wages" (p. 79).

In the last sentence on page 79, capital is indeed described as a "relation", not merely as "accumulated stock" but as a quite definite relation of production. The "stock" cannot "take up the function of advancing wages". Jones, moreover, emphasises that it is *the basic form of capital*—the form which gives the whole process of social production its distinctive character, dominates it, leads to a quite new development of the productive forces of social labour, and revolutionises all social and political relationships—that confronts wage-labour, and pays wages. He emphasises that before capital performs this function, which is of decisive importance, it fulfils other functions and, appears in other, subordinate and historically earlier forms, but that its "power in all its functions" only develops fully when it steps forth as industrial capital. On the other hand, in the third lecture "On the gradual manner in which capital *or* capitalists" <there's the rub in this "*or*"; accumulated stock becomes capital only because of this personification> "undertake successive functions in the production of wealth", Jones does not indicate what the previous functions are. They can indeed only be those of capital engaged in commerce or banking. But although Jones comes so close to the correct concept and even expresses it in a certain fashion, nevertheless, being an economist, he is so enmeshed in bourgeois fetishism that not even the devil could be certain that he does not mean that "accumulated stock" as such, can perform different functions.

The sentence:

> "Capital, or *accumulated stock*, after performing various other functions in the production of wealth, only *takes up* late that of *advancing* to the labourer his wages" (p. 79)

is the most complete expression of the contradiction; on the one hand, it expresses a correct historical conception of capital, but, on the other hand, a shadow is cast over it by the narrow-minded notion of the economist that "stock" as such is capital. Hence "the accumulated stock" becomes a person who "performs the function of advancing wages" to men. Jones is still rooted in economic prejudice when he solves [the problem], a solution becomes necessary as soon as the capitalist mode of production is regarded as a determinate historical category and no longer as an eternal natural relation of production.

One can see what a great leap forward there was from Ramsay to Jones. Ramsay regards precisely that function of capital which makes it capital—the advancing of wages—as accidental, due only to the poverty of the people, and irrelevant to the production process as such. In this narrow circumscribed manner, Ramsay *denies* the necessity for the capitalist mode of production. Jones, on the other hand, <strange that they were both priests of the Established Church. The ministers of the English Church seem to think more than their continental brethren> demonstrates that it is precisely this function that makes capital capital and gives rise to the most characteristic features of the capitalist mode of production. He shows how this form occurs only at a certain level of development of the productive forces and that it then creates an entirely new material basis. Consequently, however, his comprehension of the fact that this form "can be superseded" and of the merely transitory historical necessity for this form, is quite different from that of

Ramsay and more profound. He by no means regards capitalist relations as eternal.

> "... a state of things may hereafter exist, and *parts of the world may be approaching to it*, under which the labourers and the owners of accumulated stock, may be identical; but in the progress of nations ... this has *never yet* been the case, and to trace and understand *that progress*, we must observe the labourers gradually transferred from the hands of a body of customers, who pay them out of their revenues, to those of a body of employers, who pay them by advances of capital out of the returns to which the owners aim at realizing a distinct revenue. This may not be as *desirable a state of things as that in which labourers and capitalists are identified*, but we must *still accept it as constituting a stage in the march of industry*, which has hitherto marked the progress of advancing nations. At that stage the people of Asia have not yet arrived" (p. 73).

||1139| Here Jones states quite explicitly that capital and the capitalist mode of production are to be "accepted" merely as a transitional phase in the development of social production, a phase which, if one considers the development of the productive forces of social labour, constitutes a gigantic advance on all preceding forms, but which is by no means the end result; on the contrary, the necessity of its destruction is contained in the antagonism between "owners of accumulated wealth" and the "actual labourers".

Jones was a professor of political economy at Haileybury and the *successor to Malthus*. One can see here how the real science of political economy ends by regarding the bourgeois production relations as merely *historical* ones, leading to higher relations in which the antagonism on which they are based is resolved. By analysing them political economy breaks down the apparently mutually independent forms in

which wealth appears. This analysis (even in Ricardo's works) goes so far that:

1) The *independent, material form of wealth disappears* and wealth is shown to be simply the activity of men. Everything which is not the result of human activity, of labour, is nature and, as such, is not social wealth. The phantom of the world of goods fades away and it is seen to be simply a continually disappearing and continually reproduced objectivisation of human labour. All solid material wealth is only transitory materialisation of social labour, crystallisation of the production process whose measure is time, the measure of a movement itself.

2) The manifold forms in which the various component parts of wealth are distributed amongst different sections of society lose their apparent independence. Interest is merely a part of profit, rent is merely surplus profit. Both are consequently merged in profit, which itself can be reduced to *surplus-value*, that is, to unpaid labour. The value of the commodity itself, however, can only be reduced to labour-time. The Ricardian school reaches the point where it rejects one of the forms of appropriation of this surplus-value—landed property (rent)—as useless, insofar as it is pocketed by private individuals. It rejects the idea that the landowner can play a part in capitalist production. The antithesis is thus reduced to that between capitalist and wage-labourer. This relationship, however, is regarded by the Ricardian school as given, as a natural law, on which the production process itself is based. The later economists go one step further and, like Jones, admit only the *historical* justification for this relationship. But from the moment that the bourgeois mode of production and the conditions of production and distribution which correspond to it are recognised as *historical*, the delusion of regarding them as natural laws of production vanishes and the prospect opens up of

a new society, [a new] economic social formation, to which capitalism is only the transition. |1139||

||1139| We still have to consider a number of things in Jones's work.

1) In what way, in particular, the capitalist mode of production—the advancing of wages by capital—alters the form and the productive forces.

2) His observations regarding accumulation and the rate of profit.

But, first of all, another point has to be emphasised.

> ||1140| "He[kk] has been but an agent to give the labourers the benefit of the expenditure of the revenues of the surrounding customers, in a new form and under new circumstances..." (p. 79).

This refers to the non-agricultural labourers, whose earnings previously came direct from the revenue of the landowners, etc. Whereas previously they exchanged their labour (or the product of their labour) directly for that revenue, the capitalist exchanges the product of their labour—collected and concentrated in his hands—for that revenue, in other words, revenue is transformed into, exchanged for capital, in that it constitutes the returns on capital. Instead of being direct returns for labour, it constitutes direct returns for the capital that employs the labourers. |1140||

||1144| After describing *capital* as a specific relation of production, the essence of which is that accumulated wealth takes over the function of advancing wages, and the labour fund itself appears as "wealth saved from revenue and used with a view to profit", Jones outlines the changes in the development of the productive forces characteristic of this mode of production. How the (economic) relations and consequently the social, moral

and political state of nations changes with the *change* in the material powers of production, is very well explained.

> "As communities *change their powers of production*, they *necessarily change their habits too*" (p. 48). "During their progress in advance, all the different classes of the community find that they are connected with other classes *by new relations*, are assuming *new positions*, and are surrounded by new moral and social dangers, and *new conditions* of social and political excellence" (loc. cit.).

He describes the influence of the capitalist form of production on the development of the productive forces in the following way. But before coming to this, a few passages connected with those already quoted.

> "Great political, social, moral and intellectual changes, *accompany changes in the economical organization of communities*, and the agencies and the means, affluent or scanty, by which the tasks of industry are carried on. These changes necessarily exercise a commanding influence over the different political and social elements to be found in the populations where they take place; that influence extends to the intellectual character, to the habits, manners, morals, and happiness of nations" (p. 45).

> "England is the only great country which has taken ... the first step *in* advance towards perfection *as a producing machine;* the only country in which the population, agricultural as well as non-agricultural, is ranged under the direction of capitalists, and where the effects of their means and of the peculiar functions they can alone perform, are extensively felt, not only in the enormous growth of her wealth, but also in all the economical relations and positions of her population.

> "Now England, I say it with regret, but without the very slightest hesitation, is not to be taken as a safe specimen ||1145| of the

career of a people so developing their productive forces" (pp. 48-49).

"The *general labour fund* consists 1st.—Of wages which the labourers themselves produce. 2ndly.—Of the revenues of other classes expended in the maintenance of labour. 3rdly.—Of capital, or of a portion of wealth saved from revenue and employed in advancing wages with a view to profit. Those maintained on the first division of the labour fund we will call *unhired labourers*. Those on the second, *paid dependants*. Those on the third, *hired workmen*" (wage-labourers). "The receipt of wages from any one of these divisions of the labour fund determines the *relations of the labourer with the other classes of society*, and so determines sometimes directly, sometimes more or less indirectly, the degree of continuity, skill, and power with which the tasks of industry are carried on" (pp. 51-52).

"The first division, *self-produced wages*, maintains more than half, probably more than two-thirds, of the labouring population of the earth. These labourers consist everywhere of peasants who occupy the soil and labour on it [...] The second division of the labour fund, *revenue expended in maintaining labour*, supports by far the greater part of the *productive* non-agricultural labourers of the East. It is of some importance on the continent of Europe; while in England, again, it comprises only a few jobbing mechanics, *the relics of a larger body*... The third division of the labour fund, *capital*, is seen in England employing the great majority of her labourers, while it maintains but a small body of individuals in Asia: and in continental Europe, maintains only the non-agricultural labourers; not amounting, probably, on the whole, to a quarter of the productive population" (p. 52).

"I have not ... made any distinction as to *slave-labour*... The *civil rights* of labourers do not affect their *economical position*. Slaves, as well as freemen, may be observed subsisting on each branch of the general fund" (p. 53).

Although the civil rights of the labourers do not affect "their economical position", their economical position does affect their civil rights. Wage-labour on a national scale—and consequently, the capitalist mode of production as well—is only possible where the workers are personally free. It is based on the personal freedom of the workers.

Jones quite correctly reduces Smith's productive and nonproductive labour to its essence—capitalist and non-capitalist labour—by correctly applying the distinction made by Smith between labourers paid by capital and those paid out of revenue. Jones himself, however, apparently understands by *productive* and *unproductive* labour, labour which enters into the production of material [wealth] and that which does not. This follows from the passage quoted, where he speaks of the *productive labourers* who depend on revenue expended to maintain them [p. 52].

Further:

> "The portion of the community which is *unproductive of material wealth* may be *useful*, or it may be *useless*" (p. 42).
>
> "... it is reasonable, to consider the *act of production* as incomplete till the *commodity produced* has been placed in the hands of the person who is to consume it..." (p. 35, note).

The distinction made between the labourers who live on capital and those who live on revenue is concerned with the form of labour. It expresses the whole difference between capitalist and non-capitalist modes of production. On the other hand, the terms productive and unproductive labourers in the narrow sense [are concerned with] labour which enters into the production of *commodities* (production here embraces all operations which the commodity has to undergo from the first producer to the consumer) no matter what kind of labour

is applied, whether it is manual labour or not ([including] scientific labour), and labour which does not enter into, and whose aim and purpose is not, the production of commodities. This difference must be kept in mind and the fact that all other sorts of activity influence material production and vice versa in no way affects the necessity for making this distinction.

[b) Jones on the Influence Which the Capitalist Mode of Production Exerts on the Development of the Productive Forces. Concerning the Conditions for the Applicability of Additional Fixed Capital]

||1146| We now come to the *development of the productive forces* by the capitalist mode of production.

[Jones writes:]

> "It may be as well to point out here how this fact" <of the wages being advanced by capital> "affects their *powers of production*, or the *continuity*, the *knowledge*, and the *power*, with which labour is exerted... The capitalist who pays a workman may assist the *continuity* of *his labour*. First, by *making such continuity possible;* secondly, *by superintending* and *enforcing* it. Many large bodies of workmen throughout the world ply the street for customers, and depend for wages on the *casual wants* of persons who happen at the moment to require their services, or to want the articles they can supply. The early missionaries found this the case in China. 'The artizans run about the towns from morning to night to seek custom. The greater part of Chinese workmen work in private houses. Are clothes wanted, for example? The tailor comes to you in the morning and goes home at night. It is the same with all other artizans. They are continually running about the streets in search of work, even the smiths, who carry about their hammer and their

furnace for ordinary jobs. The barbers, too... walk about the streets with an armchair on their shoulders, and a basin and boiler for hot water in their hands.' This continues to be the case very generally throughout the East, and partially in the Western World.

"Now these workmen cannot *for any length of time work continuously*. They must ply like a hackney coachman, and when no customer happens to present himself they must be idle. If in the progress of time a change takes place in their economical position, if they *become the workmen of a capitalist who advances their wages beforehand*, two things take place. First, they *can* now labour continuously; and, secondly, an agent is provided, *whose office and whose interest it will be, to see that* they *do* labour continuously... the capitalist [...] has resources ... to wait for a customer... Here, then, is an *increased continuity in the labour* of all this class of persons. *They labour daily from morning to night*, and are *not interrupted* by waiting for or seeking the customer, who is ultimately to consume the article they work on.

"But the *continuity of their labour*, thus made possible, is secured and improved by the *superintendence of the capitalist*. He *has advanced their wages;* he *is la receive the products of their labour*. It is *his interest and his privilege to see that they do not labour interruptedly or dilatorily*.

"The continuity of labour thus far secured, the effect even of this change on the productive power of labour is very great... *the power is doubled*. Two workmen steadily employed *from morning to night*, and from year's and to year's end, will probably produce more than four desultory workmen, who consume much of their time in running after customers, and in recommencing suspended labour" (pp. 37-38).

[With regard to the passages quoted]

Firstly. The transition from labourers who perform casual services—making clothes, coats, trousers, etc., in the landowner's house—to workers employed by capital, is already very well described by *Turgot*.

Second. Although continuity certainly distinguishes capitalist labour from the form described by Jones, it does not distinguish capitalist labour from slave production carried on on a large scale.

Third. It is incorrect to describe the *increased amount of labour* brought about by its long duration and continuity as an increase in productive power or the power of labour. This [occurs] only insofar as the continuity augments the personal skill of the labourers. By [increased] power, we understand the greater productivity of a given quantity of labour employed, not any change in the quantity employed. The latter belongs rather to the formal subordination of labour to capital and it only evolves fully with the development of fixed capital. (We shall deal with this soon.)

Jones correctly emphasises the fact that the capitalist regards labour as his property, no part of which must be wasted. With regard to labour which is maintained directly by revenue, this is a matter of the use-value of labour only.

||1147| Furthermore, Jones correctly emphasises that the continuous labour of the non-agricultural labourers lasting from morning to night is by no means something which arises spontaneously, but is itself a *product* of economic development. In contrast to the Asiatic form and to the Western form of labour (prevailing in former times, partly even today) in the countryside, the urban labour of the Middle Ages already constitutes a great advance and serves as a preparatory school for the

capitalist mode of production, as regards the continuity and steadiness of labour.

<About this *continuity of labour:*

> "The capitalist, too, keeps, as it were, an *echo-office* for labour; he *insures against* the uncertainty of finding a vent for labour, which uncertainty would, but for him, prevent the labour, in many cases, from being undertaken. The trouble of looking for a purchaser, and of going to a market, is reduced, by his means, to a comparatively small compass" (*An Inquiry into those Principles, respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus etc.*, London, 1821, p. 102).

In the same work:

> "... where the capital is in a great degree *fixed*, or where it is sunk on land... the trader *is obliged* to continue to employ, much more nearly (than if there had been less fixed capital) the same amount of circulating capital as he did before, in order not to cease to derive *any* profits from the part that is fixed" (op. cit., p. 73).>

< [Jones says further:]

> "... of the state of manners to which the dependence of the workmen on the revenues of their customers has given birth in China, you would, perhaps, get the most striking picture, in the Chinese Exhibition, so long kept open by its American proprietor in London. It is thronged with figures of artizans with their small packs of tools, plying for customers, and idle when none appear—painting vividly to the eye the necessary absence, in their case, of *that continuity of labour* which is one of the three great elements of its productiveness, and indicating sufficiently, to any well-informed observer, *the absence also of fixed capital and machinery*, hardly less important elements of the fruitfulness of industry" (Richard Jones,

[*Text-book of Lectures on the Political Economy of Nations*, Hertford, 1852,] p. 73).

"In India, where the admixture of Europeans has not changed the scene, a like spectacle may be seen in the towns. The artizans in rural districts are, however, provided for there in a peculiar manner... Such handicraftsmen and other non-agriculturists as were actually necessary in a village were maintained by an assignment of a portion of the joint revenues of the villagers, and throughout the country bands of hereditary workmen existed on this fund, whose industry supplied the simple wants and tastes which the cultivators did not provide for by their own hands. The position and rights of these rural artizans soon became, like all rights in the East, hereditary. The band found its customers in the other villagers. The villagers were stationary and abiding, and so were their handicraftsmen.

"The *artizans of the towns* were and are in a very different position. They received their wages from what was substantially the same fund—surplus revenue from land—but modified in its mode of distribution and its distributors, so as to destroy their *sedentary permanence*, and produce frequent and usually disastrous migrations... such *artizans are not confined to any location by dependence on masses of fixed capital*" (as in Europe, for example, where cotton and other manufactories are "fixed in districts in which water-power, or the fuel which produces steam, are reasonably abundant, and [...] considerable masses of wealth have been converted into buildings and machinery" etc.). "... the case is different when the ||1148| sole dependence of the labourers is *on the direct receipt* of part of the revenues of the persons who consume the commodities the artizans produce... *They are not confined to the neighbourhood of any fixed capital*. If their customers change their location for long—nay, sometimes for very short—periods, the non-agricultural labourers must follow them, or starve" (pp. 73-74).

> "... the [...] greater part of that[ll] fund" for the handicraftsmen in Asia is "distributed by the State and its officers. The *capital* was, necessarily, the principal centre of distribution..." (p. 75).
>
> "From Samarcand, southward to Beejapoor and Seringapatam, we can trace the ruins of vanishing capitals, of which the population left them *suddenly*" (and not as in other countries [as a result of a gradual] decline) "*as soon as new centres of distribution of the royal revenues*, that is, of the whole of the surplus revenues of the soil, were established" (p. 76).

See *Dr. Bernier*, who compares the Indian towns to army camps. This is due to the form of landed property which exists in Asia.>

***

We now proceed from the *continuity* to the division of labour, [the development of] knowledge, use of machinery, etc.

[Jones writes:]

> "But the *effect of the change of paymasters* on *the continuity of labour* is by no means yet exhausted. The *different tasks of industry may now be further divided*... if he" (the capitalist) "employ more than one man, he can divide the task between them; he can keep each individual steadily at work at the portion of the common task which he performs the best... if the capitalist be rich, and keep a sufficient number of workmen, then the task may be *subdivided* as far as it is capable of subdivision. The continuity of labour is then complete... Capital, by assuming the function of advancing the wages of labour, has now, by successive steps, perfected its *continuity*. It, at the same time, increases the *knowledge* and *skill* by which such labour is applied to produce any given effect.

"The class of capitalists are from the first partially, and they become ultimately completely, *discharged from the necessity of manual labour*. Their *interest is that the productive powers of the labourers* they employ should be the greatest possible. *On promoting that power their attention is fixed*, and almost exclusively fixed. More thought is brought to bear on the best means of effecting all the purposes of human industry; *knowledge* extends, multiplies its fields of action, and assists industry in almost every branch…

"But further still, as to *mechanical power*. Capital employed not to *pay*, but to *assist* labour, we will call *auxiliary* capital."

<He therefore means by this term the part of constant capital which is not made up of raw material.>

"The *national mass of auxiliary capital may, certain conditions being fulfilled, increase indefinitely: the number of labourers remaining the same*. At every step of such increase, there is an increase in the third element of the efficiency of human labour, namely, its *mechanical power… auxiliary capital thus increases its mass relatively to the population…* What conditions, then, must be fulfilled that the mass of auxiliary capital employed to assist them" <the workers employed by the capitalist> "may increase?

"There must concur three things —

"1st. The means of saving the additional mass of capital.

"2ndly. The will to save it.

"3rdly. Some invention by which it may be made possible, through the use of such capital, that the productive powers of labour may be increased; and increased to an extent which *will make it, in addition to the wealth it before produced, reproduce the additional*

auxiliary capital used, as fast as destroyed, and also some profit on it…

"When the *full amount of auxiliary capital, that in the actual state of knowledge can be used profitably, has already been supplied … an increased range of knowledge* can alone point out the means of employing more. Further, such employment is […] only practicable if the means discovered *increase the power of labour sufficiently to reproduce the additional capital in the time it wastes away*. If this be not the case, the capitalist must lose his wealth. But the increased efficiency of the labourers must, besides this, *produce some profit*, or he would have no motive for employing his capital in production at all…, all the while, that *by employing fresh masses of auxiliary capital these two objects can be effected*, there is no definite and final limit to the progressive employment of such fresh masses of capital. They may go on increasing co-extensively with the *increase of knowledge. But* knowledge is never stationary; and, as it extends itself from hour to hour in all directions, from hour to hour some new implement, some new machine, some new motive force may present itself, which will enable the community profitably to add something to the mass of auxiliary capital by which it assists its industry, and *so increase the difference between the productiveness of its labour* and that of poorer and less skilful nations" (loc. cit., pp. 38-41).

||1149| First, with regard to the statement that the inventions, or appliances or contrivances must be of such a kind, "that the productive powers of labour may be increased; and increased to an extent which will make it,[mm] in addition to the wealth it before produced, reproduce the additional auxiliary capital used, as fast as it is destroyed…", or "reproduce the additional capital *in the lime it wastes away*". This means nothing more than that the wear and tear is replaced as it takes place, or, that on the average the additional capital is replaced in the

same period during which it is consumed. A portion of the value of the product, or, what amounts to the same thing, a portion of the product, must replace the consumed auxiliary capital, and, at such a rate that if, in a given period of time, it is wholly consumed, it is reproduced wholly, or that a new capital of the same kind takes the place of the capital used up. But what is the condition for this? The productivity of labour must rise to such an extent through the application of the additional auxiliary capital that a part of the product can be deducted to replace this component part either in kind or by exchange.

The reproduction of the auxiliary capital takes place if the productivity is so great, in other words, if the increased amount of output produced during the working-day of the same length is such that a unit of a particular commodity is *cheaper* than a unit produced by the former method, although the aggregate price of the *total output* covers (for example) the annual depreciation of the machinery, that is, the amount of depreciation calculated per unit of the commodity is insignificant. If the part which replaces the depreciation, and secondly the part which replaces the value of raw material, are deducted from the total product, then there remains a part which pays for the wages and a part which covers the profit and even yields more surplus-value although the price [per unit] remains the same as it was previously.

An increase in the product could take place without fulfilling this condition. If, for example, the numbers of pounds of twist were to increase tenfold (instead of a hundredfold, etc.) and if the value of the wear and tear of the machinery which has to be added to the price were to drop from one-sixth to one-tenth, then the twist spun by machinery would be dearer than that produced by spindle. If an additional £100 of capital in the form of guano were used in agriculture and if this guano had to be

replaced in a year, and if the value of a quarter (produced by the old method) were £2, then 50 additional quarters would have to be produced merely to replace the depreciation. And without this the guano could not be used (profit is here disregarded).

Jones's remark that the additional capital must be "reproduced" (of course from the sale of the product or in kind), "in the time it wastes away" simply means that the commodity must replace the wear and tear embodied in it. In order to begin production anew, all the value elements contained in the commodity must be replaced by the time when its reproduction is to begin again. In agriculture, this reproduction time is given as a result of natural conditions, and the period of time in which the wear and tear must be replaced is given, in exactly the same way as the time in which all the other value elements of grain, for example, have to be replaced.

In order that the reproduction process can begin, i.e., that the renewal of the real process of production can take place, the commodity must pass through the process of circulation, that is, the commodity must be sold (insofar as it is not replaced in kind, like the seeds) and the money for which it is sold converted into elements of production again. In the case of grain and other agricultural products, there are certain specific periods for this reproduction dictated by the seasons, that is, extreme *limits*, definite limits are set to the duration of the process of circulation.

Second: Such definite limits to the circulation process arise in general from the nature of commodities as use-values. All commodities deteriorate sooner or later, although the extreme limit of their existence varies. If they are not consumed by people (either in the production process or individually), then they are consumed by elemental natural forces. They decay, and finally they disintegrate. If their use-value is destroyed, then their

exchange-value goes down the drain and that puts an end to their reproduction. The final limits of their circulation time are therefore determined by the natural times and periods of reproduction proper to them as use-values.

Third: In order that the production process of the commodities may be continuous, ||1150| that is, so that one part of capital may be continuously in the production process and the other continuously in the process of circulation, very varied divisions of capital must take place, in accordance with the natural limits of the periods of reproduction, or the limits [of existence] of the different use-values, or the different spheres of operation of capital.

Fourth: This applies to all the value elements of the commodity simultaneously. But, in the case of commodities in the production of which a great deal of fixed capital is employed, there is, in addition to the limits which their own use-values impose on the circulation process, another determining factor, namely, the use-value of fixed capital. It wastes away in a certain time and, therefore, must be reproduced in a given period. Let us assume, for example, that a ship lasts ten years, or a spinning-machine twelve. The freight carried during the ten years, or the twist sold during the twelve years, must be sufficient for a new ship to replace the old one after ten years and for a new spinning-machine to replace the old one after twelve. If the fixed capital is used up in six months, then the product must be returned from circulation in this period.

Besides the natural mortality periods for commodities as use-values—periods which vary greatly amongst different use-values— and besides the requirements of the continuity of the production process, which set even more varied final limits to the circulation time, according to whether the commodities must remain in the production sphere or can remain in the circulation sphere

for a longer or shorter period of time, a third factor is thus added, namely, the different mortality periods, and therefore different requirements of reproduction, of the auxiliary capital used in the production of commodities.

Jones declares that the second condition [for the use of auxiliary capital] is the "profit" which the auxiliary capital must produce, and this is the *conditio sine qua non* for all capitalist production, regardless of the particular form in which the capital is employed. Nowhere does Jones explain how he conceives the genesis of this profit. But since he merely derives it from labour, and the profit yielded by the auxiliary capital simply from the increased efficiency of the labour of the workmen, it must consist of absolute or relative surplus labour. It arises in general from the fact that after deducting the *part of the product* which either in kind or by exchange replaces the constituent parts of capital which consist either of raw materials or of means of production, the capitalist, firstly, pays wages from the remainder of the product, and secondly, appropriates a part of it as *surplus product*, which he either sells or consumes in kind. (This latter is not a significant factor in capitalist production and occurs only in a few exceptional cases, when the capitalist directly produces necessary means of subsistence.) This surplus product, however, just as the other parts of the product, consists of the workers' materialised labour, but labour which is not paid for; this product of labour is appropriated by the capitalist without any equivalent.

What is new in Jones's presentation is that the increase in the auxiliary capital over and above a certain level is contingent on an *increase of knowledge*. Jones declares that the necessary conditions are: 1) the means to save the additional capital, 2) the will to save it, 3) some inventions by means of which the productive power of labour is increased sufficiently to produce the additional capital and to produce a profit on it.

What is necessary above all is that there should be a *surplus product*, either in kind or converted into money.

In the production of cotton, for example, the planters in America (like those in India at the present time) were able to plant large areas, but did not have the means for converting the raw cotton into cotton by means of cleaning at the right time. Part of the cotton rotted in the fields. This kind of thing was ended by the invention of the cotton gin. Part of the product is now converted into cotton gin. But the cotton gin does not merely replace its own cost; it also increases the surplus product. New markets have the same effect; for instance, furthering the conversion of skins into money (likewise improved transport).

Each new machine which consumes coal is a means for converting surplus product existing in the shape of coal into capital. The conversion of a part of the surplus product into auxiliary capital can take place in two ways: [firstly,] increase in the auxiliary capital already in existence, that is, its reproduction on a larger scale; [secondly,] discovery of new use-values or of a new use for well-known use-values, and new inventions of machinery or of motive power leading to the creation of new kinds of auxiliary capital. In this context, extension of knowledge is obviously one of the conditions for increasing the auxiliary capital or, what amounts to the same thing, for the conversion of surplus product or surplus money (foreign trade is important in this connection) into additional auxiliary capital. For example, the telegraph opens up a whole new field for the investment of auxiliary capital, so do the railways, etc., and so does the whole gutta-percha and India rubber production.

||1151| This point about the extension of knowledge is important.

Consequently, accumulation does not have to set new labour in motion, it may simply direct the labour previously employed into new channels. For example, the same machine workshop which previously made hand-looms now makes power-looms, and some of the weavers are taken over by [mills using] the changed methods of production while the others are thrown on to the street.

When a machine replaces labour, it always demands less new labour (for its own production) than it replaces. Perhaps the old labour is simply given a new direction. In any case, labour is freed, which after a greater or lesser amount of trials and tribulations may be used in other ways. The human material for a new sphere of production is thus provided. As far as the *direct* freeing of capital is concerned, it is not the capital which buys the machine which becomes free, because it is invested in it. And even assuming that the machine is cheaper than the amount of wages it replaces, more raw material, etc., will be required. If the workers now dismissed previously cost £500 and the new machine costs £500 too, then the capitalist previously had an outlay of £500 every year, whereas the machine may perhaps last ten years, so that in fact he now has an outlay of only £50 a year. But what at any rate becomes free (after deducting the [expenditure for] the larger number of workers employed in the manufacture of the machine and in auxiliary matters connected with it, such as coal [production], etc.) is the capital which constituted the income of the [dismissed] workers or that employed in the production of commodities which these workers bought with their wages. This continues to exist as it did previously. If workers are simply replaced as motive power without [the machinery] itself being substantially altered, for example, if wind or water [now operate the machinery] where this was done previously [by workers], two lots of capital are freed, the capital previously spent on paying the workers and the capital for which their

money income was exchanged. This is an example used by Ricardo.

But one part of the product previously converted into wages is now always reproduced as auxiliary capital.

A large part of the labour previously used directly in the production of means of subsistence is now used in the production of auxiliary capital. This too is in contradiction to Adam Smith's view, according to which the accumulation of capital is synonymous with the employment of *more* productive labour. Apart from the examples considered above, the result may be merely a change in the application of labour and a withdrawal of labour from the direct production of means of subsistence and its transfer to the production of means of production, railways, bridges, machinery, canals and so on.

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<How important the existing amount of means of production and the existing scale of production are for accumulation [is described in the following]:

> "The astonishing expedition with which a great cotton *factory*, comprehending spinning and weaving, can be erected in Lancashire, arises from the *vast collection* of patterns of every *variety* from those of gigantic steam engines, water wheels, iron girders and joists, down to the smallest member of a throstle or loom in possession of the engineers, mill-wrights, and machine makers. In the course of last year Mr. Fairbairn equipped water wheels equivalent to 700 horses power and steam engines to 400 horses power from his engineer factory alone, independent of his mill-wright and steam-boiler establishment. Hence, whenever capital comes forward to take advantage of improved demand for goods, the means of fructifying it are provided with such rapidity, that it may realise its own amount in profit, ere an analagous factory could be set a-

going in France, Belgium or Germany" (Andrew Ure, [*Philosophy of Manufactures*, London, 1835, p. 39,] *Philosophie des Manufactures etc.*, tome I, Paris, 1836, pp. 61-62).[nn]

||1152| With development, machinery becomes cheaper, partly relatively—in comparison with its power—and partly absolutely; at the same time, however, a massive concentration of machinery takes place in the workshop, so that its value increases in proportion to the living labour employed, although the value of its individual components declines:

The driving force—the machine which produces the motive power—becomes cheaper as the machinery which transmits the power and the machine which the power operates, are improved, as friction is reduced, etc.

> "The facilities resulting from the employment of self-acting tools have not only *improved the accuracy* and *accelerated the construction of the machinery* of a mill, but have also *lowered its cost and increased its mobility* in a remarkable degree. At present a throstle frame, made in the past manner, may be had complete at the rate of 9s. 6d. per spindle, and a self-actor at about 8s. per spindle including the patent licence for the latter. The spindles in cotton factories *move with so little friction that 1 horse power* drives 500 on the fine hand mule, 300 on the self-actor mule, and 180 on the throstle; which power includes all the subsidiary preparation machines as carding, roving, etc., a power of three horses is adequate to drive 30 large looms with their dressing machines" (Andrew Ure, [*Philosophy of Manufactures*, p.40,] *Philosophie des Manufactures* etc., tome I, Paris, 1836, pp. 62-63).>

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[Jones says further:]

> "Over by far the greater part of the globe, the great majority of the labouring classes do not even receive their wages from capitalists; they either produce them themselves, or receive them from the revenue of their customers. The great primary step has not been taken which secures the *continuity* of their labour; they are aided by *such k n o w l e d g e only*, and such an *amount of mechanical power* as may be found *in the possession of persons labouring with their own hands for their subsistence*. The skill and science of more advanced countries, the giant motive forces, the accumulated tools and machines which those forces may set in motion, are absent from the tasks of the industry which is carried on by such agents alone" ([Richard Jones, *Text-book of Lectures on the Political Economy of Nations*,] p. 43).

<In England herself:

> "Take agriculture... A knowledge of good farming is spread thinly, and with wide intervals, over the country. A very small part of the agricultural population is aided by all the capital which ... might be available in this branch of the national industry... the working in these" (great manufactories) "is the occupation of only a small portion of our non-agricultural labourers. In country workshops, in the case of all handicraftsmen and mechanics who carry on their separate task with little combination, there the division of labour is incomplete, and its continuity consequently imperfect... Abandon the great towns, observe the broad surface of the country, and you will see what a large portion of the national industry is lagging at a long distance from perfection, in either continuity, skill, or power" (loc. cit., p. 44).

Capitalist production leads to separation of *science from labour* and at the same time to the use of science in material production.

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With regard to *rent*, Jones remarks correctly:

Rent, in the modern sense of the term, which depends entirely on profit, presupposes:

> "*... the power of moving capital and labour from one occupation to others*[oo] *... the 'mobility' of capital and labour*, and in countries where agricultural capital and labour have no such mobility ... we cannot expect to observe any of the results which we see to arise here from that mobility exclusively" (loc. cit., p.59.)

This "mobility of capital and labour" is, in general, the *real* prerequisite for establishing the average rate of profit. It presupposes indifference to the *specific form* of labour. In reality friction takes place (at the expense of the working class) between the one-sided character which the division of labour and machinery impose on *labour-power* on the one hand, while on the other hand, it confronts capital <which is thereby differentiated from its undeveloped form in craft-build industry> merely as the living potentiality of any type of labour in general, which is given this or that direction according to the profit that can be made in this or that sphere of production, so that different masses of labour are transferable from one sphere to another.

In Asia, etc., "the body of the population consists [...] of labouring [...] peasants; *systems of cultivation imperfectly developed*, ||1153| *afford long intervals of leisure*. As the peasant produces his own food [...] he *also produces most of the other primary necessities which he consumes—his dress, his implements, his furniture, even his buildings:* for there is in his class little division of occupations. The *fashions and habits of such a people do not change;* they are handed down from parents to children; there is nothing to alter or disturb them" (p. 97).

On the other hand, the capitalist mode of production, whose characteristic features are mobility of capital and labour and continual revolutions in the methods of production, and therefore in the relations of production and commerce and the way of life, leads to great mobility in the habits, modes of thinking, etc., of the people.

Compare the following with the above-quoted passage about "the intervals of leisure" and the "imperfectly developed systems of cultivation".

1. Where a steam engine is employed on a farm; it forms *part* of a *system* which employs most labourers in agriculture, and is in all cases [associated] with a reduction [in the number] of horses[pp] ("On the Forces used in Agriculture". A Paper read by Mr. John C. Morton at the Society of Arts on December 7, 1859).

2. "... the *difference of time* required to complete the products of agriculture, and of other species of labour," is "the main cause of the great dependence of the agriculturists. They cannot bring their commodities to market in less time than a year. For that whole period they are obliged to borrow of the shoemaker, the tailor, the smith, the wheelwright, and the various other labourers, whose products they cannot dispense with, but which[qq] are completed in a few days or weeks. Owing to this natural circumstance, and owing to the more rapid increase of the wealth produced by other labour than that of agriculture, the monopolizers of all the land, though they have also monopolized legislation, have not been able to save[rr] themselves and their servants, the farmers, from becoming the most dependent class of men in the community" (Thomas Hodgskin, *Popular Political Economy*, London, 1827, p. 147, note).

The capitalist differs from capital in that he must live, and therefore must consume part of the surplus-value as revenue, daily and hourly. Thus, the longer the period of

production before the capitalist can bring his commodity to market, or the longer the period of time before he receives the proceeds from the sale of his commodities, the longer he must live either on credit during the intervening time—a matter we are not discussing here—or the larger must be the stock of money in his possession which he can expend as revenue. He must *advance* his own revenue for a longer period. His capital must be larger. He is obliged to leave a part of it always unused, as a consumption fund.

<In small-scale farming, therefore, domestic industry is combined with agriculture; supplies for the year, etc.>

[c) Jones on Accumulation and Rate of Profit. On the Source of Surplus-value]

We now come to Jones's teaching on *accumulation*. His original contribution so far has been that it is by no means necessary for accumulation to arise from profit; and secondly, that the *accumulation of auxiliary capital* depends upon the *advance of knowledge*. He limits the latter to the discovery of new mechanical appliances, motive forces, etc. But it is true in general. For example, if corn is used as raw material in the preparation of spirits, then a new source of accumulation is opened up, because the surplus product may be converted into new forms, satisfy new wants and enter as a productive element into a new sphere of production. The same applies if starch, etc., is prepared from corn. The sphere of exchange of these particular commodities and of all commodities is thereby expanded. The same takes place when coal is used for lighting, etc.

Foreign trade, too, is of course an important factor in the process of accumulation, because it tends to increase the variety of use-values and the volume of commodities.

What Jones says first of all is concerned with the, *connection between accumulation and the rate of profit*. (He is by no means very clear about the origin of the latter.)

> "The power of a nation to accumulate capital from profits *does not vary with the rate of profit*... on the contrary, the power to accumulate capital from profits, *ordinarily varies inversely as the rate of profit*, that is, it is great where the rate of profit is low, and small where the rate of profit is high" ([Jones, *Text-book of Lectures*,] p. 21).

Adam Smith says: ||1154| "Though that part of the revenue of the inhabitants which is derived from the profits of stock is always much greater in rich, than in poor, countries, it is *because the stock is much greater*; in *proportion to the stock*, the profits are generally much less" (Adam Smith, *Wealth of Nations*, Vol. II, Chapter 3 [quoted by Richard Jones in the *Text-book of Lectures*, p. 21, note]).

> "In England and Holland, the *rate of profit* is lower than in any other part of Europe" ([Jones, loc. cit.,] p. 21).
>
> "... during the period in which her" (England's) "wealth and capital have been increasing the most rapidly, the *rate of profits* has been gradually declining..." (pp. 21-22).
>
> "... the *relative masses of the profits produced* ... depend *not alone on the rate of profit* ... but *on the rate of profit taken in combination with the relative quantities of capital employed*" (p. 22).
>
> "The increasing quantity of capital of the richer nation ... is also usually accompanied by a decrease in the rate of profits, or a decrease in the proportion, which the annual revenue derived from the capital employed, bears to its gross amount" (loc. cit.).

> "If it be said that *all other things being equal, the rate of profit will determine the power of accumulating from profit*, the answer is, that the case, if practically possible, is too rare to deserve consideration. We know, from observation, that a declining rate of profit is the usual accompaniment of *increasing differences in the mass of capital* employed by different nations, and that, therefore, while the rate of profits in the richer nations declines, *all other things are not equal.*
>
> "If it be asserted that the decline of profits may be great enough to make it impossible to accumulate from profits at all, the answer [...] is that it would be foolish to argue on the assumption of such a decline, because long before the rate of profits had reached such a point, capital would go abroad to realize greater profits elsewhere, and that the power of exporting will always establish some limit below which profits will never fall in any one country, *while there are others in which the rate of profit is greater*" (pp. 22-23).

Apart from the *primary* sources of accumulation, there are *derivative* ones, such as, for example, the owners of the national debt, officials, etc.[ss]

All this is fine and good. It is quite correct that the *amounts accumulated* by no means depend solely on the rate of profit, but on the rate of profit multiplied by the capital employed, that is, just as much on the size of the capital advanced. If we call the capital employed *C*, and the rate of profit *r*, then accumulation will be *Cr*, and it is clear that this product can increase if *C* grows more quickly than *r* declines. And this is indeed a fact derived from observation. But this does not explain the *cause*, the *raison d'être* of this fact. Jones himself came very near to it when he made the observation that the auxiliary capital continuously increases relatively to the working population by which it is put into motion.

Insofar as the decline in [the rate of] profit is due to the cause mentioned by Ricardo—the rise of rent—the ratio of the total surplus-value to the capital employed remains unchanged. But one part of it—rent—increases, at the expense of the other part i.e., of profit; this leaves the proportion of the total surplus-value, of which profit, interest and rent are only categories, [to the total capital] unchanged. Thus, in fact, Ricardo denies the phenomenon itself.

On the other hand, the mere decline in the rate of interest proves nothing in itself, just as its rise proves nothing, although it does indeed always indicate the minimum rate below which profit *cannot* fall. For profit must always be higher than the average rate of interest.

||1155| Apart from the terror which the law of the declining rate of profit inspires in the economists, its most important corollary is the presupposition of a constantly increasing concentration of capitals, that is, a constantly increasing decapitalisation of the smaller capitalists. This, on the whole, is the result of all laws of capitalist production. And if we strip this fact of the contradictory character which, on the basis of capitalist production, is typical of it, what does this fact, this trend towards centralisation, indicate? Only that production loses its private character and becomes a social process, not formally—in the sense that all production subject to exchange is social because of the absolute dependence of the producers on one another and the necessity for presenting their labour as abstract social labour ([by means of] money)—but in actual fact. For the means of production are employed as communal, social means of production and therefore not [determined] by [the fact that they are] the property of an individual, but by their relation to production, and the labour likewise is performed on a social scale.

A separate section in Jones's work is headed "*On the causes which determine the inclination to accumulate*". [He mentions the following]:

> "... 1st.—Differences of temperament and disposition in the people.
>
> "2ndly.—Differences in the proportions in which the national revenues are divided among the different classes of the population.
>
> "3rdly.—Different degrees of security for the safe enjoyment of the capital saved.
>
> "4thly.—Different degrees of facility in investing profitably, as well as safely, successive savings.
>
> "5thly.—Differences in the opportunities offered to the different ranks of the population to better their position by means of savings" (p. 24).

All these five causes, in fact, boil down to this—that accumulation depends on the stage of the *capitalist mode of production* reached by a particular nation.

To begin with *No. 2*. Where capitalist production exists in a developed form, profit constitutes the chief source of accumulation, that is, the capitalists have concentrated the greater part of the national revenue in their hands and even a section of the landowners seeks to capitalise [their revenue].

No. 3. Security (in the legal and police sense) increases in proportion to the degree to which the capitalists secure control of the State administration.

No. 4. As capital develops, the spheres of production increase on the one hand, and, on the other hand, the organisation of credit [develops] in order to collect every farthing in the hands of the money-lenders (hankers).

No. 5. In capitalist production, the improvement of one's position depends solely on money, and everyone can delude himself into believing that he can become a Rothschild.

There remains *No. 1.* All people do not have the same predisposition towards capitalist production. Some primitive peoples, such as the Turks, have neither the temperament nor the inclination for it. But these are exceptions. The development of capitalist production creates an average level of bourgeois society and therefore an average level of temperament and disposition amongst the most varied peoples. It is as truly cosmopolitan as Christianity. This is why Christianity is likewise the special religion of capital. In both it is only men who count. One man in the abstract is worth just as much or as little as the next man. In the one case, all depends on whether or not he has faith, in the other, on whether or not he has credit. In addition, however, in the one case, predestination has to be added, and in the other case, the accident of whether or not a man is born with a silver spoon in his mouth.

***

The source of surplus-value and primitive rent:

> "When land has been appropriated and cultivated, such land yields, in almost every case, to the labour employed on it, *more than is necessary* to continue the kind of cultivation already bestowed upon it. *Whatever it produces beyond this*, ||1156| we will call its *surplus produce*. Now this surplus produce is the *source of primitive rents*, and limits the extent of such revenues, as can be continuously derived from the land by its *owners*, as distinct from its *occupiers*" (p. 19).

These *primitive rents* are the first social form in which surplus-value is represented, and this is the obscure

conception which forms the foundation of the theory of the Physiocrats.

Both absolute and relative surplus-value have this in common that they presuppose a certain level of the productive power of labour. If the entire working-day (available labour-time) of a man (any man) were only sufficient to feed himself (and at best his family as well), then there would be no surplus labour, surplus-value and surplus produce. This prerequisite of a certain level of productivity is based on the natural productiveness of land and water, the natural sources of wealth. It is different in different countries, etc. Needs are simple and crude in early times and the minimum produce required for the maintenance of the producers themselves is consequently small, and so is the surplus product. On the other hand, the number of people who live off the surplus product in those circumstances is likewise very small, so that they receive the sum total of the small amounts of surplus product obtained from a relatively large number of producers.

The basis for absolute surplus-value—that is, the real precondition for its existence—is the *natural fertility of the land*, of nature, whereas relative surplus-value depends on the development of the social productive forces.

And with this we finish with *Jones*. |XVIII-1156||

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[a] Marx is not quoting here but paraphrasing.—mainly in German—a paragraph from p.61 of Jones's *book*.—*Ed*.

[b] The manuscript has "shows".—Ed.

[c] The manuscript has "proceeds entirely from".—*Ed*.

[d]Marx here paraphrases (in German) the idea developed by Jones on p. 143 of his book.—*Ed.*

[e] The manuscript has “All these forms”.—*Ed.*

[f] The manuscript has “system”.—*Ed.*

[g] The manuscript has “the”.—*Ed.*

[h] The manuscript has “For example”.—*Ed.*

[i] The manuscript has “This is possible in larger countries too”.—*Ed.*

[j] In the manuscript this part of the sentenc is condensed and reads: “When prices rise steeply more.”—*Ed.*

[k]The first part of the sentence up *to* “quadrupled” is not a quotation but Marx’s paraphrase of the passage.—*Ed.*

[l] In the manuscript, “of”.—*Ed.*

[m] The manuscript has “Thus the”.—*Ed.*

[n] The manuscript has “are”.—*Ed.*

[o] The manuscript has “decrease”.—*Ed.*

[p] The manuscript has “and vice versa” instead of “or a fall of wages not compensated by a rise in the rate of profits”.—*Ed.*

[q] The manuscript has “*without*” instead of “and this from a cause quite distinct from”.—*Ed.*

[r] In the manuscript, “land”.—*Ed.*

[s] In the manuscript, “thus the increase”.—*Ed.*

[t] In the manuscript, “trebled and so on.”—*Ed.*

[u] *In* the manuscript, “Even among the Western European nations we still find.”—*Ed.*

[v] This is a summary by Marx, in his own words (mostly in English), of a much longer passage on pages 16-17 of Jones’s book.—*Ed.*

[w] Instead of the first part of the sentence, in the manuscript “Among all nations”.—*Ed.*

[x] In the manuscript, “Here in England not only the”.—*Ed.*

[y] In the manuscript, “depend on”.—*Ed.*

[z] In the manuscript, “these laboring”.—*Ed.*

[aa] Instead of “may be divided into three groups”, in the manuscript “are”.—*Ed.*

[bb] Instead of “may be subdivided into”, in the manuscript “are”.—*Ed.*

[cc]The first part of this sentence is shortened by Marx and reads in the manuscript “Something resembling rent or profit is often.”—*Ed.*

[dd] In the manuscript, “they may be regarded as wage-labourers”.—*Ed.*

[ee] In the manuscript the first part of the sentence reads “In England limited to”.—*Ed.*

[ff] In the manuscript, “*slaves*”.—*Ed*

[gg] This part of the sentence is summarised by Marx.—*Ed.*

[hh] This paragraph represents a summary by Marx of the ideas outlined by Jones on p. 20 of his book. It is written almost entirely in English.—*Ed.*

[ii] By fair means or foul.—*Ed.*

[jj] In the manuscript, “nation.”—*Ed.*

[kk] In the manuscript, “the capitalist”.—*Ed.*

[ll] In the manuscript, “this”.—*Ed.*

[mm] In the manuscript, “the productive powers of labour are increased to such an extent as to make it”.—*Ed.*

[nn] This and the following quotation were taken by Marx from the French edition of A. Ure’s work.—*Ed.*

[oo] In the manuscript, “to another”.—*Ed.*

[pp] This is not a quotation, but a summary of a passage from Morton’s paper, which was published in the *Journal of the Society of Arts*, December 9, 1859, pp. 53-61.—*Ed.*

[qq] In the manuscript, “whose products they need, and which”.—*Ed.*

[rr] In the manuscript, “are unable to save”.—*Ed.*

[ss] This last sentence is a summary by Marx of an idea outlined by Jones on p. 23 of his book.—*Ed.*

Theories of Surplus Value, Marx 1861-3

Addenda. Revenue and its Sources. Vulgar Political Economy

[1.] The Development of Interest-Bearing Capital on the Basis of Capitalist Production. [Transformation of the Relations of the Capitalist Mode of Production into a Fetish. Interest-Bearing Capital as the Clearest Expression of This Fetish. The Vulgar Economists and the Vulgar Socialists Regarding Interest on Capital]

||XV-891| The form of revenue and the sources of revenue are the *most fetishistic* expression of the relations of capitalist production. It is their form of existence as it appears on the surface, divorced from the hidden connections and the intermediate connecting links. Thus the *land* becomes the source of *rent, capital* the source of *profit*, and *labour* the source of *wages*. The distorted form in which the real inversion is expressed is naturally reproduced in the views of the agents of this mode of production. It is a kind of fiction without fantasy, a religion of the vulgar. In fact, the vulgar economists—by no means to be confused with the economic investigators we have been criticising—translate the concepts, motives, etc., of the

representatives of the capitalist mode of production who are held in thrall to this system of production and in whose consciousness only its superficial appearance is reflected. They translate them into a doctrinaire language, but they do so from the standpoint of the ruling section, i.e., the capitalists, and their treatment is therefore not naïve and objective, but apologetic. The narrow and pedantic expression of vulgar conceptions which are bound to arise among those who are the representatives of this mode of production is very different from the urge of political economists like the Physiocrats, Adam Smith and Ricardo to grasp the inner connection of the phenomena.

However, of all these forms, the most complete fetish is *interest-bearing capital*. This is the original starting-point of capital—money—and the formula M—C—M' is reduced to its two extremes—M—M'—money which creates more money. It is the original and general formula of capital reduced to a meaningless résumé.

The *land* or *nature* as the source of *rent*, i.e., landed property, is fetishistic enough. But as a result of a convenient confusion of use-value with exchange-value, the common imagination is still able to have recourse to the productive power of nature itself, which, by some kind of hocus-pocus, is personified in the landlord.

Labour as the source of *wages*, that is, of the worker's share in his product, which is determined by the specific social form of labour; labour as the cause of the fact that the worker by means of his labour buys the permission to produce from the product (i.e., from capital considered in its material aspect) and has in labour the source by which a part of his product is returned to him in the form of payment made by this product as his employer—this is pretty enough. But the common conception is in so far in accord with the facts that, even though labour is confused with wage-labour and, consequently, wages, the product

of wage-labour, with the product of labour, it is nevertheless obvious to anybody who has common sense that labour itself produces its own wages.

Capital, insofar as it is considered in the *production process*, still continues to a certain extent to be regarded as an instrument for acquiring the labour of others. This may be treated as "right" or "wrong", as justified or not justified, but here the relation of the capitalist to the worker is always presupposed and assumed.

Capital, insofar as it appears in the *circulation process*, confronts the ordinary observer mainly in the form of *merchant capital*, that is, a kind of capital which is engaged only in this operation, hence profit in this field is in part linked with a vague notion of general swindling, or more specifically, with the idea that the merchant swindles the industrial capitalist in the same way as the industrial capitalist swindles the worker, or again that the merchant swindles the consumer, just as the producers swindle one another. In any case, profit here is explained as a result of exchange, that is, as arising from a social relation and not from a thing.

On the other hand, *interest-bearing capital* is the perfect fetish. It is capital in its finished form—as such representing the unity of the production process and the circulation process—and therefore yields a definite profit in a definite period of time. In the form of interest—bearing capital only this function remains, without the mediation of either production process or circulation process. Memories of the past still remain in capital and profit, although because of the divergence of profit from surplus-value and the uniform profit yielded by all capitals—that is, the general rate of profit—capital becomes ||892| very much obscured, something dark and mysterious.

Interest-bearing capital is the consummate *automatic fetish*, the self-expanding value, the money-making money, and in this form it no longer bears any trace of its origin. The social relation is consummated as a relation of things (money, commodities) to themselves.

This is not the place for a more detailed examination of interest and its relation to profit; nor is it the place for an examination of the ratio in which profit is divided into industrial profit and interest. It is clear that capital, as the mysterious and automatically generating source of interest, that is, source of its [own] increase, finds its consummation in capital and interest. It is therefore especially in this form that capital is imagined. It is capital *par excellence*.

Since, on the basis of capitalist production, a certain sum of values represented in money or commodities—actually in money, the converted form of the commodity—makes it possible to extract a certain amount of labour gratis from the workers and to appropriate a certain amount of surplus-value, surplus labour, surplus product, it is obvious that money itself can be sold as capital, that is, as a commodity *sui generis*, or that capital can be bought in the form of commodities or of money.

It can be sold as the source of profit. I enable someone else by means of money, etc., to appropriate surplus-value. Thus it is quite in order for me to receive part of this surplus-value. Just as land has value because it enables me to intercept a portion of surplus-value, and I therefore pay for this land only the surplus-value which can be intercepted thanks to it, so I pay for capital the surplus-value which is created by means of it. Since, in the capitalist production process, the value of capital is perpetuated and reproduced in addition to its surplus-value, it is therefore quite in order that, when money or commodities are sold as capital, they return to the seller after a period of time and he does not alienate it [capital]

in the same way as he would a commodity but retains ownership of it. In this way, money or commodities are not sold as money or commodities, but in their second power, as *capital*, as self-increasing money or commodities. Capital is not only increased, but is preserved in the total process of production. It therefore remains capital for the seller and comes back to him. The sale consists in the fact that another person, who uses the capital as productive capital, has to pay its owner a certain part of his profit, which he only makes through this capital. Like land, it is rented out as a value-creating thing which in this process of generating value is preserved and continually returned, and therefore can also be returned to the original seller. It is only capital in virtue of its return to him. Otherwise he would sell it as a commodity or buy with it as money.

In any case, the form considered in itself (in fact, it [money] is alienated periodically as a means for exploiting labour, for making surplus-value) is this, that the thing now appears as capital and capital appears as a mere thing; the whole result of the capitalist production and circulation process appears as a property inherent in a thing, and it depends on the owner of money, i.e., of the commodity in its constantly exchangeable form, whether he expends it as money or rents it out as capital.

We have here the relation of capital as principal to itself as yield, and the profit which it yields is measured against its own value, which (in accordance with the nature of capital) is not diminished in this process.

It is thus clear why superficial criticism—in exactly the same way as it wants to maintain commodities and combats money—now turns its wisdom and reforming zeal against interest-bearing capital without touching upon real capitalist production, but merely attacking one of its consequences. This polemic against interest-bearing capital, undertaken from the standpoint of

capitalist production, a polemic which today parades as "socialism", occurs, incidentally, as a phase in the development of capital itself, for example, in the seventeenth century, when the industrial capitalist had to assert himself against the old-fashioned usurer who, at that time, still [confronted] him as a superior power.

||893| The complete *objectification, inversion* and *derangement* of capital as interest-bearing capital—in which, however, the inner nature of capitalist production, [its] derangement, merely appears in its most palpable form—is capital which yields "compound interest". It appears as a Moloch demanding the whole world as a sacrifice belonging to it of right, whose legitimate demands, arising from its very nature, are however never met and are always frustrated by a mysterious fate.

The characteristic movement of capital, both in the production and in the circulation processes, is the return of the money or commodity to its starting-point—to the capitalist. This expresses, on the one hand, the real metamorphosis, the conversion of the commodity into its conditions of production, and the conversion of the conditions of production back into the form of the commodity—i.e., reproduction, and, on the other hand, the formal metamorphosis, the conversion of the commodity into money and of the money back into the commodity. Finally, the multiplication of value: M—C—M'. The original value, which is however increased during the process, always remains in the possession of the same capitalist. Only the forms change in which he possesses it: money, commodity, or the form of the production process itself.

In the case of interest-bearing capital, this *return* of capital to its starting-point acquires a quite *external* aspect, divorced from the real movement whose form it is. A spends his money not as money but

as capital. No change takes place here in the money. It only changes hands. Its real conversion into capital takes place only while it is in the hands of B. But it has become capital for A as a result of the transfer of the money from A's hands into those of B. The real return of capital from the production and circulation process takes place for B. But for A, the return takes place in the same way as the alienation did. The money passes from B back again to A. He *lends* the money instead of spending it.

In the real production process of capital, each particular movement of money expresses an aspect of reproduction, whether it be the conversion of money into labour, the conversion of the finished commodity into money (the end of the act of production) or the reconversion of the money into commodities (renewal of the production process, recommencement of reproduction). The movement of money when it is *lent* as *capital*, that is, when it is not converted into capital but enters into circulation as capital, expresses nothing more than the transfer of the same money from one person to another. The property rights remain with the lender, but the possession is transferred to the industrial capitalist. For the lender, however, the conversion of the money into capital begins at the moment when he spends it as capital instead of spending it as money, i.e., when he hands it over to the industrial capitalist. (It remains capital for him even if he does not lend it to the industrial capitalist but to a spendthrift, or to a worker who cannot pay his rent. The whole pawnshop business [is based on this].) True, the other person converts it into capital, but this is an operation beyond that in which the lender and the borrower are involved. *This development is effaced*, is not visible, is not directly included in it. Instead of the real conversion of money into capital, there appears only the empty form of this process. Just as in the case of labour-power, *the use-value of money here becomes that* of creating exchange-value, *more exchange-value*

than it itself contains. It is *lent as self-expanding value*, as a commodity, but a commodity which, precisely because of this quality, differs from commodities as such and therefore also *possesses a specific form of alienation*.

The starting-point of capital is the commodity owner, the owner of money, in short, the capitalist. Since in the case of capital both starting-point and point of return coincide, it returns to the capitalist. But the capitalist exists here in a dual form, as the owner of capital and as the industrial capitalist who really converts money into capital. The capital actually issues ||894| from him [the industrial capitalist] and returns again to him. But only as possessor. The capitalist exists in a dual form—juridically and economically. The capital as property consequently returns to the juridical capitalist the left-handed Sam. But the return of the capital, which includes the maintenance of its value and establishes it as a self-maintaining and self-perpetuating value, is indeed brought about by intermediate steps for capitalist II but not for capitalist I. In this case therefore, the return is not the consequence and result of a series of economic processes but is effected by a particular juridical transaction between buyer and seller, by the fact that it is *lent instead of being sold, and therefore it is alienated only temporarily*. What *is sold is*, in fact, *its use-value*, whose *function in this case is* to produce *exchange-value*, to yield profit, in other words to produce more value than it itself contains. As money it does not change through being used. It is however expended as money and it flows back as money.

The form in which it returns depends on the mode of reproduction of the capital. If it is loaned as money, then it comes back in the form of circulating capital, that is, its whole value is returned plus surplus-value, in this case, that part of surplus-value or of profit which consists of interest; the sum of money loaned plus the additional amount which has arisen from it.

If it is loaned out in the form of machinery, buildings, etc., in short, in a material form in which it functions as fixed capital in the process of production, then it returns in the form of fixed capital, as an annuity, that is, for example, as an annual amount equal to the replacement of the wear and tear, i.e., equal to that part of the value which has entered the circulation process, plus that part of the surplus-value which is calculated as profit (in this case a part of the profit, interest) on the fixed capital (not insofar as it is fixed capital, but insofar as in general it is capital of a definite amount).

In profit as such, surplus-value, and consequently its real source, is already obscured and mystified:

1) Because, considered from the formal standpoint, profit is *surplus-value* calculated on the whole of the capital advanced, so that each part of capital—fixed and circulating—laid out on raw materials, machinery or labour, yields an equal amount of profit.

2) Because, just as in the case of a single given capital of 500, for example, every fifth part yields 10 per cent, if the surplus-value amounts to 50, *so* now, as a result of the establishment of the *general rate of profit*, every capital of 500 or 100, no matter which sphere it operates in, irrespective of the relative proportions of variable and constant capital, no matter how varied the periods of turnover, etc., will yield the same average profit—say 10 per cent—in the same period of time as any other capital under quite different organic conditions. Because, therefore, the *profit* of individual capitals regarded in isolation and the *surplus-value* which is produced by them in their own sphere of production become in fact different magnitudes.

It is true that point 2 merely develops further what has already been implied in point 1.

The basis of interest however is this already externalised form of surplus-value, i.e., its existence as *profit*. This form differs from its first simple aspect, in which it still reveals the umbilical cord of its birth, and is, at first sight, by no means recognisable as a form of surplus-value. Interest directly presupposes not surplus-value, but *profit*, of which it is merely a part placed in a special category or division. It is therefore much more difficult to recognise surplus-value in interest than in profit, since interest is directly connected with surplus-value only in the form of profit.

The time needed for the return of capital depends on the real production process; in the case of interest-bearing capital, its return as capital *appears* to depend merely on the agreement between lender and borrower. So that the return of the capital in this transaction no longer appears to be a result determined by the production process, but it seems that the capital never loses the form of money for a single instant. These transactions are nevertheless determined by the real returns. But this is not *evident* in the transaction.

||895| Interest, as distinct from profit, represents the *value of mere ownership of capital*—i.e., it transforms the ownership of *money* (of a sum of values, commodities, whatever the form may be) in itself, into ownership of capital, and consequently commodities or money as such into self-expanding values. The conditions of labour are of course capital, only insofar as they confront the labourer as his non-property and consequently function as someone else's property. But they can function in this way only in contradiction to labour. The *antagonistic existence of these conditions in relation to labour makes their owners capitalists*, and turns these conditions owned by them into capital. But capital in the hands of moneyed capitalist A does not have this contradictory character which turns it into capital

and which therefore makes ownership of money appear as ownership of capital. *The concrete distinct form by means of which money or a commodity is converted into capital is obliterated.* Moneyed [capitalist] A does not confront the worker at all, but only another capitalist—capitalist B. What he sells him is actually the "use" of the money, the results it will produce when converted into productive capital. But in fact it is not the use which he sells directly. If I sell a commodity, then I sell a specific use-value. If I buy money with commodities, then I buy the functional use-value which money, as the converted form of commodities, possesses. I do not sell the use-value of the commodity along with its exchange-value, nor do I buy the particular use-value of the money along with the money itself. But money as money—before its conversion into and its function as capital, a function which it does not perform while it is in the hands of the moneylender—has no other use-value than that which it possesses as a commodity (gold, silver, its material substance) or as money which is the converted form of a commodity. What the moneylender sells in actual fact to the industrial capitalist, what really happens in the transaction, is simply this: he transfers the ownership of the money to the industrial capitalist for a certain period of time. He disposes of his ownership title for a certain term, and as a result the industrial capitalist has bought the ownership for a certain period. Thus his money appears to be capital before it is sold and the mere ownership of money or a commodity—separated from the capitalist production process—is regarded as capital.

The fact that it becomes capital only after it has been disposed of, makes no difference, any more than the use-value of cotton is altered by the fact that its use-value only emerges after it has been disposed of to the spinner or that the use-value of meat only becomes apparent after it has been transferred from the butcher's shop to the consumer's table. Hence money, once it is not spent on

consumption, and commodities, once they are not used as means of consumption by their owners, transform those who possess them into capitalists and are in themselves—separated from the capitalist production process and even *before* their conversion into "productive" capital—capital, that is, they are selfexpanding, self-maintaining and self-increasing value. It is their immanent attribute to create value, to yield interest, just as the attribute of the pear tree is to produce pears. And it is as such an interest-bearing thing that the money-lender sells his money to the industrial capitalist. Because money preserves itself, i.e., is value which preserves itself, the industrial capitalist can return it at any time fixed by contract. Since it produces a definite amount of surplus-value, interest, annually, or rather since value accrues to it over any period of time, he can also pay back this surplus-value to the lender annually or in any other conventionally established period of time. Money as capital yields surplus-value daily in exactly the same way as wage-labour. While interest is simply a *part* of the profit *established under a special name*, it *appears here* as [the surplus-value specifically created by] capital as such, separated from the production process, and consequently [due] only to the mere ownership of capital, the ownership of money and commodities, separated from the relations which give rise to the contradiction between this property and labour, thus turning it into capitalist property. [Interest seems to be] a specific kind of *surplus-value* the *generation* of which is due to the mere ownership of capital and therefore to an intrinsic characteristic of capital; whereas on the contrary, *industrial profit* appears to be a mere addition which the borrower obtains by employing capital productively, that is, by exploiting the workers with the help of the capital borrowed (or, as people also say, by his work as a capitalist, the function of the capitalist being equated here with labour, and even identified with wage-labour, since the industrial capitalist, by really taking part

in the ||896| production process, appears in fact as an active agent in production, as a worker, in contrast to the idle, inactive moneylender whose function of property owner is separate from and outside the production process).

Thus it is *interest*, not *profit*, which appears to be the *creation of value* arising from capital as such and therefore from the mere ownership of capital; consequently it is regarded as the specific revenue created by capital. This is also the form in which it is conceived by the vulgar economists. In this form all intermediate links are obliterated, and the *fetishistic feature* of capital, as also the concept of the *capital-fetish*, is complete. This form arises necessarily, because the juridical aspect of property is separated from its economic aspect and one part of the profit under the name of interest accrues to *capital* which is completely separated from the production process, or to the *owner of this capital*.

To the vulgar economist who desires to represent capital as an independent source of value, a source which creates value, this form is of course a godsend, a form in which the source of profit is no longer recognisable and the result of the capitalist process—separated from the process itself—acquires an independent existence. In M—C—M' an intermediate link is still retained. In M—M' we have the incomprehensible form of capital, the most extreme inversion and materialisation of production relations.

A general *rate of interest* corresponds naturally to the *general rate of profit*. It is not our intention to discuss this further here, since the analysis of interest-bearing capital does not belong to this general section but to that dealing with credit. However the observation that the average rate of profit appears much less as a palpable, solid fact than does the *rate of interest* is important for the elaboration of this aspect of capital. True, the rate of

interest fluctuates continuously. [It may be] 2 per cent today (on the money market for the industrial capitalist—and this is all we are discussing), 3 per cent tomorrow, and 5 per cent the day after. But it is 2 per cent, 3 per cent, 5 per cent for all borrowers. It is a general condition that every sum of money of £100 yields 2 per cent, 3 per cent or 5 per cent, while the same value in its real function as capital yields very different amounts of real profit in the different spheres of production. The real profit deviates from the ideal average level, which is established only by a continuous process, a reaction, and this only takes place during long periods of circulation of capital. The rate of profit is in certain spheres higher in some years, while it is lower in succeeding years. Taking the years together, or taking a series of such evolutions, one will *in general* obtain the average profit. Thus it never appears as something directly given, but only as the average result of contradictory oscillations. It is different with the rate of interest. In its *generality*, it is a fact which is established daily, a fact which the industrial capitalist regards as a pre-condition and an item of calculation in his operations. The average rate of profit exists indeed only as an ideal *average figure*, insofar as it serves to estimate the real profit; it exists only as an average figure, as an abstraction, insofar as it is established as something which is in itself complete, definite, given. In reality, however, it exists only as the determining tendency in the movement of equalisation of the real, different rates of profit, whether of individual capitals in the same sphere or of different capitals in the different spheres of production.

||897| What the lender demands of the capitalist is calculated on the *general* (average) *rate of profit*, not on individual deviations from it. Here the *average* becomes the *pre-condition*. The rate of interest itself *varies*, but does so for all *borrowers*.

A definite, equal rate of interest, on the other hand, exists not only on the average but in actual fact (even though it is accompanied by variations between minimum and maximum rates according to whether or not the borrower is first-rate) and the deviations appear rather as exceptions brought about by special circumstances. The meteorological bulletins do not indicate the state of the barometer more exactly than stock-exchange bulletins do the state of interest rates, not for this or that capital, but for the capital *available on the money market, that is*, capital *available for lending*.

This is not the place to go into the reasons for this greater stability and equality of the rate of interest on loan capital in contradistinction to the less tangible form of the general rate of profit. Such a discussion belongs to the section on credit. But this much is obvious: the fluctuations in the *rate of profit* in every sphere—quite apart from the special advantages which individual capitalists in the same sphere of production may enjoy—depend on the existing level of market prices and their fluctuations around cost-prices. The difference in the *rates of profit* in the *various* spheres can only be discerned by comparison of the market prices in the different spheres, that is, the market prices of the *different* commodities, with the cost-prices of these commodities. A decline in the rate of profit below the ideal average in any particular sphere, if prolonged, suffices to bring about a withdrawal of capital from this sphere, or to prevent the entry of the average amount of new capital into it. For it is the inflow of new, additional capital, even more than the redistribution of capital already invested, that equalises the distribution of capital in the different spheres. The *surplus profit* in the different spheres, on the other hand, is discernible only by comparison of the market prices with cost-prices. As soon as any difference becomes apparent in one way or another, then an outflow or inflow of capital from or to

the particular spheres [begins]. Apart from the fact that this act of equalisation requires time, the average profit in each sphere becomes evident only in the average profit rates obtained, for example, over a cycle of seven years, etc., according to the nature of the capital. Mere fluctuations—below and *above* [the general rate of profit]—if they do not exceed the average extent and do not assume extraordinary forms, are therefore not sufficient to bring about a transfer of capital, and in addition the transfer of fixed capital presents certain difficulties. Momentary booms can only have a limited effect, and are more likely to attract or repel additional capital than to bring about a redistribution of the capital invested in the different spheres.

One can see that all this involves a very complex movement in which, on the one hand, the market prices in each particular sphere, the relative cost-prices of the different commodities, the position with regard to demand and supply within each individual sphere, and, on the other hand, competition among the capitalists in the different spheres, play a part, and, in addition, the speed of the equalisation process, whether it is quicker or slower, depends on the particular organic composition of the different capitals (more fixed or circulating capital, for example) and on the particular nature of their commodities, that is, whether their nature as use-values facilitates rapid withdrawal from the market and the diminution or increase of supply, in accordance with the level of the market prices.

In the case of money capital on the other hand, only two sorts of buyers and sellers, only two types of demand and supply, confront each other on the money market. On the one side, the borrowing class of capitalists—on the other, the money-lenders. The commodity has only one form—money. All the different forms assumed by capital according to the different spheres of production or circulation in which it is invested, are obliterated here. It

exists here in the undifferentiated, always identical form, that of independent exchange-value, i.e., of money. Here competition between the different spheres ceases; they are all lumped together as borrowers of money, and capital too confronts them all in a form in which it is still indifferent to the way it is utilised. Whereas productive capital ||898| *emerges only in the movement of competition between the different spheres as the joint capital of the whole class, capital here actually—as regards the pressure exerted—acts as such in the demand for capital.* On the other hand, money capital (the capital on the money market) really possesses the form which enables it as a common element, irrespective of its particular employment, to be distributed amongst the different spheres, amongst the capitalist class, according to the production needs of each separate sphere. With the development of large-scale industry, moreover, money capital, insofar as it appears on the market, is represented less and less by the individual capitalist, the owner of this or that parcel of capital available on the market, but is concentrated, organised and is [subject] in quite a different way from real production to the control of a banker who represents the capital. So that insofar as the form of the demand is concerned, the pressure of a class confronts it [loan capital]; and as far as supply is concerned, it appears as loan capital *en masse*, the loan capital of society, concentrated in a few reservoirs.

These are some of the reasons why the *general rate of profit* appears as a hazy mirage in contrast to the *fixed rate of interest* which, although it fluctuates in magnitude, nevertheless fluctuates in the same measure for all borrowers and therefore always confronts them as something fixed, given; just as money despite the changes in its value has the same value for all commodities. Just as the market prices of commodities fluctuate daily, which does not prevent them from being *quoted* daily, so

it is with the rate of interest, which is likewise quoted regularly as the *price* of money. This is the established price of capital, for capital is here offered as a special kind of commodity—money—and consequently its *market price* is established in the same way as that of all other commodities. The rate of interest is therefore always expressed as the *general rate of interest*, as a fixed amount [to be paid] for a certain amount of money; whereas the rate of profit within a *particular* sphere may vary although the market prices of commodities are the same (depending on the conditions under which individual capitals produce the same commodities; since the individual rate of profit does not depend on the market price of the commodity but on the difference between the market price and the cost-price) and it is equalised in the different spheres in the course of operations only as a result of constant fluctuations. In short, only in moneyed capital, the capital which can be lent, does capital become a *commodity*, whose quality of self-expansion has a *fixed price*, which is quoted as the prevailing rate of interest.

Thus capital acquires its pure fetish form in *interest-bearing* capital, and indeed in its direct form of *interest-bearing money capital* (the other forms of interest-bearing capital, which do not concern us here, are in turn derived from this form and presuppose it). *Firstly*, as a result of its continuous existence as *money*, a form in which all its determining features are obliterated and its real elements invisible; in this form it represents merely independent exchange-value, value which has become independent. The money form is a transient form in the real process of capital. On the money market capital always exists in this form. *Secondly*, the surplus-value it produces, which [here] again assumes the form of money, seems to accrue to capital as such, consequently to the mere owner of money capital, i.e., of capital separated from its process. Here M—C—M' becomes M—M', and

just as its form here is the undifferentiated money form (for money is precisely the form in which the differences between commodities as use-values are obliterated, consequently also the *differences between productive capitals, which are made up of the conditions of existence of these commodities, the particular forms of the productive capitals themselves are obliterated*) so the surplus-value it produces, the surplus money which it is or which it becomes, appears as a definite rate measured by the amount of the money. If the rate of interest is 5 per cent, then £100 used as capital becomes £105. This is the quite tangible form of self-expanding value or of money-making money, and at the same time the quite irrational form, the incomprehensible, mystified form. In the discussion of capital we started from M—C—M, of which M—M' was only the result. We now find M—M' *as the subject*. Just as growth is characteristic of trees, so money-bearing (τόκος)[a] is characteristic of capital in this, its pure form as money [capital]. The incomprehensible superficial form we encounter and which has therefore constituted the starting-point of our analysis, is found again as the result of the process in which the form of capital is gradually more and more alienated and rendered independent of its inner substance.

||899| We started with money as the converted form of the commodity. What we arrive at is *money as the converted form of capital*, just as we have perceived that the commodity is the pre-condition and the result of the production process of capital.

This aspect of capital, which is the most fantastic and at the same time comes nearest to the popular notion of it, is both regarded as the "basic form" by the vulgar economists and made the first point of attack by superficial critics; the former, partly because the inner connections are least apparent here and capital emerges in a form in which it *appears* to be an independent source

of value, partly because its *contradictory* character is totally concealed and effaced in this form and no contradiction to labour [is evident]. On the other hand, [capital is subjected to] attack because it is the form in which it is at its most irrational and provides the easiest point of attack for the vulgar socialists.

The polemic waged by the bourgeois economists of the seventeenth century (Child, Culpeper and others) against interest as an independent form of surplus-value merely reflects the struggle of the rising industrial bourgeoisie against the old-fashioned usurers, who monopolised the pecuniary resources at that time. Interest-bearing capital in this case is still an antediluvian form of capital which has yet to be subordinated to industrial capital and to acquire the dependent position which it must assume—theoretically and practically—on the basis of capitalist production. The bourgeoisie did not hesitate to accept State aid in this as in other cases, where it was a question of making the traditional production relations which it found, adequate to its own.

It is clear that any other kind of division of profit between various kinds of capitalists, that is, increasing the industrial profit by reducing the rate of interest and vice versa, does not affect the essence of capitalist production in any way. The kind of socialism which attacks interest-bearing capital as the "basic form" of capital not only remains completely within the bounds of the bourgeois horizon. Insofar as its polemic is not a misconceived attack and criticism prompted by a vague notion and directed against capital itself, though identifying it with one of its derived forms, it is nothing but a drive, disguised as socialism, for the development of bourgeois credit and consequently only expresses the low-level of development of the existing conditions in a country where such a polemic can masquerade as socialist and is itself only a theoretical symptom of capitalist development although this bourgeois striving

can assume quite startling forms such as that of "*crédit gratuit*"[b] for example. The same applies to Saint-Simonism with its glorification of banking (*Crédit mobilier* later).

[2.] Interest-Bearing Capital and Commercial Capital in Relation to Industrial Capital. Older Forms. Derived Forms

The commercial and interest-bearing forms of capital are older than industrial capital, which, in the capitalist mode of production, is the *basic form* of the capital relations dominating bourgeois society—and all other forms are only derived from it or secondary: derived as is the case with interest-bearing capital; secondary means that the capital fulfils a special function (which belongs to the circulation process) as for instance commercial capital. In the course of its evolution, industrial capital must therefore subjugate these forms and transform them into derived or special functions of itself. It encounters these older forms in the epoch of its formation and development. It encounters them as *antecedents*, but not as antecedents established by itself, not as forms of its own life-process. In the same way as it originally finds the commodity already in existence, but not as its own product, and likewise finds money circulation, but not as an element in its own reproduction. Where capitalist production has developed all its manifold forms and has become the dominant mode of production, interest-bearing capital is dominated by industrial capital, and commercial capital becomes merely a form of industrial capital, derived from the circulation process. But both of them must first be destroyed as

independent forms ||900| and subordinated to industrial capital. Violence (the State) is used against interest-bearing capital by means of compulsory reduction of interest rates, so that it is no longer able to dictate terms to industrial capital. But this is a method characteristic of the least developed stages of capitalist production. The real way in which industrial capital subjugates interest-bearing capital is the creation of a procedure specific to itself—the *credit system*. The compulsory reduction of interest rates is a measure which industrial capital itself borrows from the methods of an earlier mode of production and which it rejects as useless and inexpedient as soon as it becomes strong and conquers its territory. The *credit system* is its own creation, and is itself a form of industrial capital which begins with manufacture and develops further with large-scale industry. The credit system originally is a *polemical form* directed against the old-fashioned usurers (goldsmiths in England, Jews, Lombards, and others). The seventeenth-century writings in which its first mysteries are discussed are all produced in this polemical form.

Commercial capital is subordinated to industrial capital in various ways or, what amounts to the same thing, [it becomes] a function of the latter, it is industrial capital engaged in a special function. The *merchant*, instead of buying commodities, buys wage-labour with which he produces the commodities which he intends to sell on the market. But commercial capital thereby loses the fixed form which it previously possessed in contrast to production. This was the way the medieval guilds were undermined by manufacture and the handicrafts confined to a narrower sphere. The *merchant* in the Middle Ages was simply a *dealer in commodities* produced either by the town guilds or by the peasants (apart from sporadic areas where manufacture developed, for instance in Italy and Spain).

The transformation of the merchant into an industrial capitalist is at the same time the transformation of commercial capital into a mere form of industrial capital. The *producer*, conversely, becomes a merchant. For example, the cloth producer himself buys material in accordance with the size of his capital, etc., instead of gradually obtaining his material in small amounts from the merchant and working for him. The conditions of production enter into the process [of production] as commodities which he himself ha s bought. And instead of producing for individual merchants or for particular customers, he now produces for the world of commerce.

In the first form, the merchant dominates production and commercial capital dominates the handicrafts and rural domestic industry which it sets in motion. The crafts are subordinated to him. In the second form, production becomes capitalist production. The producer is himself a merchant, merchant capital now acts as an intermediary only in the circulation process, thus fulfilling a definite function in the reproduction process of capital. These are the two forms. The merchant as such becomes a producer, an industrialist. The industrialist, the producer, becomes a merchant.

Originally, *trade* is the pro-condition for the transformation of guild, rural domestic and feudal agricultural production into capitalist production. It develops the product into a commodity, partly by creating a market for it, partly by giving rise to new commodity equivalents and partly by supplying production with new materials and thereby initiating new kinds of production which are based on trade from the very beginning because they depend both on production for the market and on elements of production derived from the world market.

As soon as manufacture gains strength (and this applies to an even greater extent to large-scale industry), it in

turn creates the market, conquers it, opens up, partly by force, markets which it conquers, however, by means of its *commodities*. From now on, trade is merely a servant of industrial production for which a constantly expanding market has become a very condition of existence, since constantly expanding mass production, circumscribed not by the existing limits of trade (insofar as trade is only an expression of the existing level of demand), but solely by the amount of capital available and the level of productivity of the workers, always floods the existing market and consequently seeks constantly to expand and remove its boundaries. Trade is now the servant of industrial capital, and carries out one of the functions emanating from the conditions of production of industrial capital.

During its first stages of development, industrial capital seeks to secure a market and markets by force, by the *colonial system* (together with the prohibition system). The industrial capitalist faces the world market; [he] therefore compares ||901| and must constantly compare his own cost-prices with market prices not only at home, but also on the whole market of the world. He always produces taking this into account. In the earlier period this comparison is carried out only by the merchants, thus enabling merchant capital to dominate over productive [capital]. |901||

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||902| *Interest* is therefore nothing but a part of the profit (which, in its turn, is itself nothing but surplus-value, unpaid labour), which the industrial capitalist pays to the owner of the borrowed capital with which he "works", either exclusively or partially. Interest is a part

of profit—of surplus-value—which, established as a special category, is separated from the total profit under its own name, a separation which is by no means based on its origin, but only on the manner in which it is *paid out* or appropriated. Instead of being appropriated by the industrial capitalist himself—although he is the person who at first holds the whole surplus-value in his hands no matter how it may be distributed between himself and other people under the names of rent, industrial profit and interest—this part of the profit is deducted by the industrial capitalist from his own revenue and paid to the owner of capital.

If the rate of profit is given, then the relative level of the rate of interest depends on the ratio in which profit is divided between interest and industrial profit. If the ratio of this division is given, then the absolute level of the rate of interest (that is, the ratio of interest to capital) depends on the rate of profit. It is not intended to investigate here how this ratio is determined. This belongs to the section dealing with the real movement of capital, i.e., of capitals, while we are concerned here with the general forms of capital.

The formation of interest-bearing capital, its separation from industrial capital, is a *necessary* product of the development of industrial capital, of the capitalist mode of production itself. Money (a sum of value, which is always convertible into the conditions of production) or the conditions of production into which it can be converted at any time and of which it is only the converted form—money employed as capital, commands a definite quantity of other people's labour, more labour than it itself contains. It not only preserves its value in exchange with labour, but increases it, produces surplus-value. The value of money or of commodities as *capital* is not determined by the value they possess as money or as commodities, but by the amount of surplus-value which they "produce" for their owners. The product of capital

is profit. On the basis of capitalist production, whether money is spent as money or as capital depends only on the different ways in which money is *employed*. Money (a commodity) *in itself* is capital on the basis of capitalist production (just as *labour-power in itself* is labour) since, first, it can be converted into the conditions of production and is, as it exists, only an abstract expression of them, their existence as *value;* and secondly, the material elements of wealth in themselves possess the property of being capital because their opposite—wage-labour—which turns them into capital—is present as the basis for social production.

Rent is likewise simply a name for a part of the surplus-value which the industrialist has to pay out, in the same way as *interest* is another part of surplus-value which, although it accrues to him (like rent), has to be handed over to someone else. But the great difference here is the following: through landed property, the landowner *prevents* capital from making the value of agricultural products equal to their cost-price. Monopoly of landed property enables the landowner to do this. It enables him to pocket the difference between value and cost-price. On the other hand—as far as differential rent is concerned—this monopoly enables the landowner to pocket the excess of the market value over the individual value of the product of a particular piece of land; in contrast to the other spheres of production, where this difference in the form of surplus profit flows into the pockets of the capitalists who operate under more favourable conditions than the average conditions which satisfy the greater part of demand, thus determining the bulk of production and consequently regulating the market value of each particular sphere of production.

Landed property is a *means* for grabbing a part of the surplus-value produced by industrial capital. On the other hand, loan *capital—to* the extent that the capitalist operates with borrowed capital—is a means for producing

the *whole* of the ||903| surplus-value. That money (commodities) can be loaned out as capital means nothing more than that it is *itself* capital. The abolition of landed property in the Ricardian sense, that is, its conversion into State property so that rent is paid to the State instead of to the landlord, is the ideal, the heart's desire, which springs from the deepest, inmost essence of capital. Capital cannot abolish landed property. But by converting it into rent [which is paid to the State] the capitalists as a *class* appropriate it and use it to defray their State expenses, thus appropriating in a roundabout way what cannot be retained directly. Abolition of interest and of interest-bearing capital, on the other hand, means the abolition of capital and of capitalist production itself. As long as money (commodities) can serve as capital, it can be sold as capital. It is therefore quite in keeping with the views of the petty-bourgeois Utopians that they want to keep commodities but not money, industrial capital but not interest-bearing capital, profit but not interest.

There are not two different kinds of capital—interest-bearing and profit-yielding—but *the selfsame* capital which operates in the process of production as capital, produces a profit which is divided between two different capitalists—one standing outside the process, and, as owner, representing capital *as such* <but it is an essential condition of this capital that it is represented by a *private owner;* without this it does not become capital as opposed to wage-labour>, and the other representing operating capital, capital which takes part in the production process.

[3. The Separation of Individual Parts of Surplus-Value in the Form of

Different Revenues. The Relation of Interest to Industrial Profit. The Irrationality of the Fetishised Forms of Revenue]

The further "ossification" or transformation of the *division of* profit into something independent appears in such a way that the *profit on every single* capital—and therefore also the *average profit* based on the equalisation of capitals—is split or divided into two component parts separated from, or independent of, each other, namely, interest and industrial profit, which is now sometimes called simply *profit* or acquires new names such as *wages of labour of superintendence*, etc. If the rate of profit (average profit) is 15 per cent and the *rate of interest* (which, as we have seen, is always established in the *general* form) is 5 per cent (the general rate being always quoted in the money market as the "value" or "price" of money), then the capitalist—even when he is the owner of the capital and has not *borrowed* any part of it, so that the profit does not have to be divided between two capitalists—considers that 5 per cent of the 15 per cent represents *interest* on his capital, and only 10 per cent represents the profit he makes by the productive employment of the capital. This 5 per cent interest, which he as an "industrial capitalist" owes to himself as "owner" of the capital, is due to his *capital as such*, and consequently it is due to him as owner of the *capital as such* (which is at one and the same time the existence of capital in itself, or the existence of capital as the capitalist, as property which debars other people from owning it), capital abstracted from the production process as

opposed to operating capital, capital involved in the production process, and to the "industrial capitalist" as representative of this operating, "working" capital.

"Interest" is the fruit of capital insofar as it does not "work" or operate, and profit is the fruit of "working", operating capital. This is similar to the way in which the farming capitalist—who is at the same time also a landowner, the owner of the soil which he exploits in capitalist fashion—assigns that part of his profit which constitutes *rent,* this surplus profit, to himself not as capitalist but as landowner, attributing it not to capital but to landed property so that he, the capitalist, owes himself "rent" as a landowner. Thus one aspect of capital confronts another aspect of the same capital just as rigidly as do landed property and capital which, in fact, constitute the separate claims to appropriation of other people's labour which are based on two essentially different means of production.

If, on the one hand, five partners own a cotton mill which represents a capital of £100,000 and yields a profit of 10 per cent, that is, £10,000, then each of them gets a fifth of the profit or £2,000. On the other hand, if a single capitalist invested the same amount of capital in a mill and made the same amount of profit—£10,000—he would not consider that he received £2,000 profit as a partner and the other £8,000 company profit for the nonexistent four partners. Consequently, in itself the *mere division of profit* between different ||904| capitalists who have different legal claims on the same capital and who are in one way or another joint owners of *the same* capital, does not by any means establish different categories for the separate portions. Why then should the accidental division between lender and borrower of capital do so?

Prima facie it is simply a question of the division of profit when there are two owners of the capital with

different titles—a *prima facie* legal, but not economic aspect. In itself it makes no difference at all whether a capitalist produces with his own or with other people's capital or in what proportion he uses his own capital to that of other people. How does it happen that this division of profit into [industrial] profit and interest does not appear as an accidental division, dependent on the accident whether or not the capitalist really has a share with *someone else*, or on whether he by chance is operating with his own or with someone else's capital, but that, on the contrary, even when he operates exclusively with his own capital, he in any case splits himself into two—into a mere owner of capital and into a user of capital, into capital which is outside the production process and capital which takes part in the production process, into capital which *as such* yields interest and capital which yields profit because it is *used in the production process?*

There is a real reason at the root of this. Money (as an expression of the value of commodities in general) in the [production] process appropriates surplus-value, no matter what name it bears or whatever parts it is split into, because it is already presupposed as *capital before* the production process. It maintains, produces and reproduces itself as capital *in* the process [of production] and moreover on a continually expanding scale. Once the capitalist mode of production is given and work is undertaken on this basis and within the social relations which correspond to it, that is, when it is not a question of the process of formation of capital, then even *before* the [production] process begins money as such is *capital* by its very nature, which, however, is only realised in the process and indeed only becomes a reality in the process itself. If it did not enter into the process as capital it would not emerge from it as capital, that is, as profit-yielding money, as self-expanding value, as value which produces surplus-value.

It is the same as with money. For example, this coin is nothing but a piece of metal. It is only money in virtue of its function in the circulation process. But if the existence of the circulation process of commodities is presupposed, the coin not only functions as money, but as such it is in every single case a pre-condition for the circulation process before it enters into it. Capital is not only the result of, but the pre-condition for, capitalist production. Money and commodities as such are therefore latent capital, potential capital; this applies to all commodities insofar as they are convertible into money, and to money insofar as it is convertible into those commodities which constitute the elements of the capitalist process of production. Thus money—as the pure expression of the value of commodities and of the conditions of labour—is itself as capital antecedent to capitalist production. What is capital regarded not as the result of, but as the prerequisite for, the process [of production]? What makes it capital before it enters the process so that the latter merely develops its immanent character? The social framework in which it exists. The fact that living labour is confronted by past labour, activity is confronted by the product, man is confronted by things, labour is confronted by its own materialised conditions as alien, independent, self-contained subjects, personifications, in short, as *someone else's property* and, in this form, as "employers" and "commanders" of labour itself, which they appropriate instead of being appropriated by it. The fact that value—whether it exists as money or as commodities—and in the further development the conditions of labour confront the worker as the *property of other people*, as independent properties, means simply that they confront him as the *property* of the non-worker or, at any rate, that, as a capitalist, he confronts them [the conditions of labour] not as a worker but as the *owner* of value, etc., as the *subject* in which these things possess their own will, belong to themselves and are personified as independent

forces. *Capital* as the prerequisite of production, capital, not in the form in which it emerges from the production process, but as it is before it enters it, [is] the contradiction in which it is confronted by labour as the labour of other people and in which capital itself, as the property of other people, confronts labour. It is the contradictory social framework which is expressed in it and which, separated from the [production] process itself, ||905| expresses itself in *capitalist property as such*.

This aspect—separated from the capitalist production process itself of which it is the constant result, and as its constant result it is also its constant prerequisite—manifests itself in the fact that money [and] commodities are as such, *latently*, capital, that they can be *sold as capital*, and that in this form they represent the *mere ownership of capital*, and the *capitalist as the mere owner*, apart from his capitalist functions. Money and commodities considered as such constitute command over other people's labour, and therefore self-expanding value and a claim to the appropriation of other people's labour.

It is thus quite obvious that the title to and the means for the appropriation of other people's labour is this *relationship* and not some kind of labour or equivalent supplied by the capitalist.

Interest therefore appears as the *surplus-value* due to capital as capital, to the mere ownership of capital, as the surplus-value derived by capital from the production process because it enters it as capital, and therefore due to capital *as such* independently of the production process, although it is only realised *in* the production process; capital thus already contains the surplus-value in a latent form. On the other hand, *industrial profit* [appears] as the portion of surplus-value accruing to the capitalist not as the owner of capital, but as the

operating owner representing the operating capital. In the same way as everything in this mode of production appears to be upside down, so likewise does the final reversal in the relation of interest to profit, so that the portion of profit separated under a special heading [interest] appears as the product intrinsically belonging to capital, and industrial profit appears as a mere addition appended to it.

Since the moneyed capitalist in fact receives his part of the surplus-value only as *owner of capital*, while he himself remains outside the production process; since the price of capital—that is, of the mere title to ownership of capital—is quoted on the money market as the rate of interest in the same way as the market price of any other commodity; since the share of surplus-value which *capital as such*, the *mere ownership* of capital, secures is thus of a *stable* magnitude, whereas the rate of profit fluctuates, at any given moment it varies in the different spheres of production and within each sphere it is different for the individual capitalists, partly because the conditions under which they produce are more or less favourable, partly because they exploit labour in capitalist fashion with different degrees of circumspection and energy, and partly because they cheat buyers or sellers of commodities with different degrees of luck and cunning (profit upon expropriation, alienation)—it therefore appears natural to them, whether they are or are not owners of the capital involved in the production process, that *interest* is something due to capital as such, to the ownership of capital, to the owner of capital, whether they themselves own the capital or someone else; industrial profit, on the other hand, appears to be the result of *their* labour. As operating capitalists—as real agents of capitalist production—they therefore confront themselves or others representing merely idle capital, as *workers* they consequently confront themselves and others as *property owners*. And since they are, as

matters stand, workers, they are in fact wage-workers, and because of their superiority they are simply better-paid workers, which they owe partly also to the fact that they pay themselves their wages.

Whereas, therefore, *interest* and *interest-bearing capital* merely express the contradiction of materialised wealth as against labour, and thereby its existence as *capital*, this position is turned upside down in the consciousness of men because, *prima facie*, the *moneyed capitalist* does not appear to have any relations with the wage-worker, but only with other capitalists, while these other capitalists, instead of appearing to be in opposition to the wage-workers, appear rather as *workers*, in opposition to themselves or to other [capitalists] considered as mere owners of capital, representing the mere existence of capital. The individual capitalist, moreover, can either lend his money *as capital* or employ it *himself* as capital. Insofar as he obtains *interest* on it, he only receives for it the price which he would receive if he did not "operate" as a capitalist, if he did not "work". It is clear, therefore, that what he really gets from the production process—insofar as it is only interest—is due to capital alone, not to the production process itself and ||906| not to himself as a representative of operating capital.

Hence also the pretty phrases used by some vulgar economists to the effect that, if the industrial capitalist did not get any profit in addition to interest, he would lend his capital out for interest and become a rentier, so that all capitalists would stop producing and all capital would cease operating as capital, but nevertheless it would still be possible to live *on the interest*. In similar vein, Turgot has already [said] that if the capitalist received no interest, be would buy land (capitalised rent) and live off rent. But in this case the interest would still be derived from surplus-value, since for the Physiocrats

rent represents the real surplus-value. Whereas in that vulgarised concept things are turned upside down.

Another fact should be noted. Interest is part of the *costs* for the industrial capitalist who has borrowed money, the term costs is here used in the sense that it represents the value advanced. For example, a capital of £1,000 does not enter the capitalist production process as a commodity worth £1,000 but as *capital*, this means that if a capital of £1,000 yields 10 per cent interest per annum, then it enters into the annual product as a value of £1,100. This shows clearly that the *sum of values* (and the commodities in which it is embodied) becomes capital not only in the production process but that, as capital, it is antecedent to the production process and therefore already contains within itself the surplus-value due to it as mere capital. For the industrial capitalist who operates with borrowed capital, interest, in other words capital as capital—and it is this only insofar as it yields surplus-value (so that if it is worth £1,000 as a commodity, for example, it is worth £1,100 as capital, i.e., $1{,}000+{}^{1{,}000}/_{10}$, $C+{}^{C}/_{x}$)—enters into his costs. If the product only yielded interest, this, though it would be a surplus over and above the *value* of the capital employed, regarded as a mere commodity, would not be a surplus over and above the value of the commodity considered as capital, for the capitalist has to pay out this surplus-value; it is part of his outlay, part of the expenses he has incurred in order to produce the commodities.

As far as the industrialist who operates with his own capital is concerned, he pays the interest on his capital to himself and regards the interest as part of his outlay. In fact, what he has advanced is not simply a capital of £1,000 for example, but the value of £1,000 as capital, and this value would be £1,050 if the rate of interest were 5 per cent. This is moreover no idle consideration as far as he is concerned. For the £1,000 used as *capital* would yield him £1,050 if he lent it out instead of employing it

productively. Thus, insofar as he advances the £1,000 to himself as capital, he is advancing himself £1,050. *Il faut bien se rattraper sur quelqu'un et fusse-t-il sur lui méme![c]*

The value of commodities worth £1,000 is £1,050 as capital. This means that capital is not a simple quantity. It is not a simple commodity, but a commodity raised to a higher power; not a simple magnitude, but a proportion. It is a proportion of the principal, a given value, to itself as surplus-value. The value of C is $C\,(1+{}^{1}/_{x})$ (for one year) or $C+{}^{c}/_{x}$. It is no more possible by means of the elementary rules of calculation to understand capital, that is, the commodity raised to a higher power, or money raised to a higher power, than it is to understand or to calculate the value of x in the equation $a^{x}=n$.

Just as in the case of *interest*, part of the profit, of the surplus-value produced by capital, appears to have been *advanced* by the capitalist, so also in agricultural production another part of surplus-value—rent—appears to have been advanced. This seems to be less obviously irrational because in this case rent appears to be the annual price of the land which thus enters into production as a commodity. A "price of land" is indeed even more irrational than a price of capital, but this is not apparent in the form as such. Because in this case the land appears to be the use-value of a commodity and the rent its price. (The irrationality consists in this, that land, i.e., something which is not the product of human labour, has a price, that is, a value expressed in money and consequently a value, and is therefore to be regarded as materialised social labour.) Considered purely formally, land, just as any other commodity, is expressed in two ways, as use-value and as exchange-value, and the exchange-value is expressed nominally as price, that is, as something which the commodity as use-value is absolutely not. On the other hand, in the statement: [a capital of] £1,000 equals £1,050, or £50 is the annual

price of £1,000, something is compared with itself, exchange-value with exchange-value, and the exchange-value as something different from itself is supposed to be its own price, that is, the exchange-value expressed in money.

||907| Thus two forms of surplus-value—interest and rent, the results of capitalist production—enter into it as prerequisites, as *advances* which the capitalist himself makes; for him, therefore, they do not represent any surplus-value, i.e., any surplus over and above the advances made. *As* far as these forms of surplus-value are concerned, it *appears* to the individual capitalist that the production of surplus-value is a part of the *production costs* of capitalist production, and that the appropriation of other people's labour and of the surplus over and above the value of the commodities consumed in the process (whether these enter into the constant or into the variable capital) is a dominating condition of this mode of production. To a certain extent this applies also to average profit, insofar as it constitutes an element of cost-price, and hence a condition of supply, of the very creation of the commodity. Nevertheless, the industrial capitalist rightly regards this surplus, this part of surplus-value—although it constitutes an element of production—as a surplus over *his* costs; he does not regard it as belonging to *his* advances in the same way as interest and rent. In critical moments, profit too confronts the capitalist in fact as a condition of production, since he curtails or stops production when profit disappears or is reduced to a marked degree as a result of a fall in prices. Hence the nonsensical pronouncements of those who consider the different forms of surplus-value to be merely forms of distribution; they are just as much forms of production. |907||

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||937| It might appear that in the trinity land—rent, capital—profit (interest), labour—wages, the last group is the most rational. At least it states the source from which wages flow. But it is on the contrary the most irrational of them all, and the basis for the other two, in the same way as *wage-labour* in general presupposes land in the form of *landed property* and the product in the form of *capital*. Only when labour confronts its conditions [of production] in this form, is it wage-labour. As wage-labour it is defined by the formula labour—wages. Since wages here appear to be the specific product of labour, its sole product (and they are indeed the sole product of labour *for* the wage-worker), the other parts of value—rent and *profit (interest)—appear* to flow just as necessarily from other specific sources. And just as that part of the value of the product which consists of wages [is conceived] as the *specific* product of labour, so those parts of value which are made up of rent and profit must be regarded as specific results of agencies *for* which they exist and to which they accrue, that is, as offspring of the earth and of capital, respectively. |937||

[4. The Process of Ossification of the Converted Forms of Surplus-Value and Their Ever Greater Separation from Their Inner Substance—Surplus Labour. Industrial Profit as "Wages for the Capitalist"]

||910| Let us consider the road travelled by capital before it appears in the form of interest-bearing capital.

In the immediate process of production, the matter is fairly simple. Surplus-value has not as yet assumed a *separate* form, apart from the fact that it is surplus-value as distinct from the value which is equivalent to the value reproduced in the product. In the same way as value in general consists of labour, so surplus-value consists of surplus labour, unpaid labour. Hence surplus-value is only measured by that part of capital which really changes its value—the variable capital, i.e., the capital which is laid out in wages. Constant capital appears only as the condition enabling the variable part of capital to operate. It is quite simple: if with £100, i.e., the labour of 10 [men], one buys the labour of 20 [men] (that is, commodities in which the labour of 20 [men] is embodied), the value of the product will be £200 and the surplus-value will amount to £100, equal to the unpaid labour of 10 [men]. Or, supposing 20 men worked half a day each for themselves and half for capital—20 half-days equal 10 whole ones—the result would be the same as if only 10 men were paid and the others worked for the capitalist gratis.

Here, in this embryonic state, the relationship is still very obvious, or rather it cannot be misunderstood. The difficulty is simply to discover how this appropriation of labour without any equivalent arises from the law of commodity exchange—out of the fact that commodities exchange for one another in proportion to the amount of labour-time embodied in them—and, to start with, does not contradict this law.

||911| The circulation process obliterates and obscures the connection. Since here the mass of surplus-value is also determined by the *circulation time of capital*, an element foreign to labour-time seems to have entered.

Finally, in capital as the finished phenomenon, as it appears as a whole, [as] the unity of the circulation and the production process, as the expression of the reproduction process—as a definite sum of values which produces a definite amount of profit (surplus-value) in a definite time, a definite period of circulation—in capital in this form the production and circulation processes exist only as a reminiscence and as aspects which determine the surplus-value *equally*, thereby disguising its simple nature. Surplus-value now appears as profit. This profit is, first, received for a definite period of circulation of capital, and this period is distinct from the labour-time; it is, secondly, surplus-value calculated and drawn not on that part of capital from which it originates directly, but quite indiscriminately on the total capital. In this way its source is completely concealed. Thirdly, although the mass of profit is still quantitatively identical in this first form of profit with the mass of surplus-value produced by the individual capital, the rate of profit is, from the very beginning, different from the rate of surplus-value; since the rate of surplus-value is s/v and the rate of profit is $s/c+v$. Fourthly, if the rate of surplus-value is presumed given, it is possible for the rate of profit to rise or to fall and even to move in the opposite direction to the rate of surplus-value.

Thus, surplus-value in the first form of profit already assumes a form which not only makes it difficult to perceive that it is identical with surplus-value, i.e., surplus labour, but appears directly to contradict this view.

Furthermore, as a result of the conversion of profit into *average profit*, the establishment of the general rate of profit and, in connection with it and determined by it, the conversion of values into cost-prices, the profit of the individual capital becomes *different* from the surplus-value produced by the individual capital in its particular sphere of production, and *different*, moreover, not only in

the way it is expressed—i.e., rate of profit as distinct from rate of surplus-value—but it becomes substantially *different*, that is, in this context, quantitatively *different*. Profit does not merely *seem* to be different, but *is* now in fact different from surplus-value not only with regard to the individual capital but also with regard to the total capital in a particular sphere of production. Capitals of equal magnitude yield equal profits; in other words, profit is proportional to the size of the capital. Or profit is determined by the amount of capital advanced. The relation of profit to the organic composition of capital is completely obliterated and no longer recognisable in all these formulae. On the other hand, it is quite obvious that capitals of the same magnitude which set in motion very different amounts of labour, thus commanding very different amounts of surplus labour and consequently producing very different amounts of surplus-value, yield the same amount of profit. Indeed, the basis itself—the determination of the value of commodities by the labour-time embodied in them—appears to be invalidated as a result of the conversion of values into cost-prices.

In this quite alienated form of profit and in the same measure as the form of profit hides its inner core, capital more and more acquires a material form, is transformed more and more from a relationship into a thing, but a thing which embodies, which has absorbed, the social relationship, a thing which has acquired a fictitious life and independent existence in relation to itself, a natural-supernatural entity; in this form of *capital and profit* it appears superficially as a ready-made pre-condition. It is the form of its reality, or rather its real form of existence. And it is the form in which it exists in the consciousness and is reflected in the imagination of its representatives, the capitalists.

This fixed and ossified (metamorphosed) form of profit (and thereby of capital as its producer, for capital is the

cause and profit is the result; capital is the reason, profit is the effect; capital is the substance, profit is the adjunct; capital is capital only insofar as it yields profit, only insofar as it is a value which produces profit, an additional value)—and therefore also of capital as its cause, capital which maintains itself and expands by means of profit—the external aspect of this ossified form is strengthened even more by the fact that the same process of the equalisation of capital, which gives profit the form of average profit, separates part of it in the form of *rent* as something independent of it and arising from a different foundation, the land. It is true that rent originally emerges as a part of profit which the farmer pays to the landlord. But since this surplus profit is not pocketed by the farmer, and the capital he employs does not differ in any way as capital from other capitals (it is precisely because surplus profit is not derived from capital as such that the farmer pays it to the landlord), the land itself appears to be the source of this part of the value of the commodity (its surplus-value) and the landlord [appears to represent] the land only ||912| as a juridical person.

If the rent is calculated on the capital advanced, then a thread still remains which indicates its origin as a distinct part of profit, that is, of surplus-value in general. (The position is, of course, quite different in a social order where landed property exploits labour directly. In that case, it is not difficult to recognise the origin of surplus wealth.) But the rent is paid on a definite area of land; it is capitalised in the value of the land; this value rises and falls in accordance with the rise or fall of rent. The rise or fall of rent is calculated with regard to a piece of land which remains unchanged (whereas the amount of capital operating on it changes); the difference in the types of land is reflected in the amount of rent which has to be paid for a given yardage, the total rental is calculated on the total area of the land in order to determine the average rental, for example, of a square yard. Rent, like every

phenomenon created by capitalist production, appears at the same time as a stable, given pre-condition existing at any particular moment, and thus, it is for each individual an independently existing magnitude. The farmer has to pay rent, so much per acre of land, according to the quality of the land. If its quality improves or deteriorates, then the rent he has to pay on so many acres rises or falls. He has to pay rent for the land quite irrespective of the capital he employs on it, just as he has to pay interest irrespective of the profit he makes.

The calculation of rent on industrial capital is another important formula of political economy which demonstrates the inner connection between rent and profit, its basis. But this connection does not *appear* in reality, for the calculation of rent is based on the real area of land, the intermediate links are thereby eliminated and rent acquires its externalised independent aspect. It is an independent form only in this externalisation, in its complete separation from its antecedents. So many square yards of land bring in so much rent. In this formula, in which rent, a part of surplus-value, *is represented in relation to a particular natural element, independent of human labour*, not only the nature of surplus-value is completely obliterated, because the nature of value itself is obliterated; but, just as the source of rent appears to be land, so now *profit* itself appears to be due to *capital as a particular material element of production*. Land is part of nature and brings in rent. Capital consists of products and these bring in profit. That one use-value which is produced brings in profit, while another which is not produced brings in rent are simply two forms in which things *produce value*, and the one form is just as comprehensible and as incomprehensible as the other.

It is clear that, as soon as surplus-value [is split up] into different, *separate* parts, related to various production elements—such as nature, products, labour—which only

differ *physically*, that is, as soon as in general surplus-value acquires *special* forms, separate from one another, independent of one another and regulated by different laws, the common unit—surplus-value—and consequently the nature of this common unit, becomes more and more unrecognisable and does not manifest itself in the *appearance* but has to be discovered as a hidden mystery. This assumption of independent forms by the various parts—and their confrontation as independent forms—is completed as a result of each of these parts being related to a particular element as its measure and its special source; in other words, each part of surplus-value is conceived as the effect of a special cause, as an adjunct of a particular substance. Thus profit is related to capital, rent to land, wages to labour.

These ready-made relations and forms, which appear as pre-conditions in real production because the capitalist mode of production moves within the forms it has created itself and which are its results, confront it equally as ready-made pre-conditions in the process of reproduction. As such, they in fact determine the actions of individual capitalists, etc., and provide the motives, which are reflected in their consciousness. Vulgar political economy does nothing more than express in doctrinaire fashion this consciousness, which, in respect of its motives and notions, remains in thrall to the appearance of the capitalist mode of production. And the more it clings to the shallow, superficial appearance, only bringing it into some sort of order, the more it considers that it is acting "naturally" and avoiding all abstract subtleties.

||913| In connection with the circulation process dealt with above[d] it has to be added that the categories arising out of the circulation process crystallise as attributes of particular sorts of capital, fixed, circulating and so on, and thus appear as definite material attributes of certain commodities.

In the final state in which profit, assumed as something given, appears in capitalist production, the innumerable transformations and intervening stages through which it passes are obliterated and unrecognisable, and consequently the nature of capital is also unrecognisable. This state becomes even more rigid owing to the fact that the same process which gives it its final finish causes part of the profit to confront it as *rent*, thus transforming profit into a *particular* aspect of surplus-value, an aspect based on capital as a special material instrument of production, in exactly the same way as rent is based on land; thus this state, separated from its inner essence by a mass of invisible intermediate links, reaches an even more *externalised* form, or rather the form of absolute *externalisation*, in interest-bearing capital, in the separation of interest from profit in interest-bearing capital as the simple form of capital, the form in which capital is antecedent to its own reproduction process. On the one hand, this expresses the absolute form of capital M—M', self-expanding value. On the other hand, the intermediate link C, which still exists in genuine merchant capital whose formula is M—C—M', has disappeared. Only the relation of M to itself and measured by itself remains. It is capital expressly removed, separated from the process, as an antecedent it stands outside the process whose result it is and through which alone it is capital.

{[Here] the fact is disregarded that interest may be a mere transfer and need not represent real surplus-value, as, for example, when money is lent to a "spendthrift", i.e., for consumption. The position may be similar when money is borrowed in order to make *payments*. In both cases it is loaned as money, not as capital, but it becomes *capital* to its owner through the mere act of lending it out. In the second case, [if it is used to] discount [bills] or as a loan on temporarily not vendible commodities, it can be associated with the circulation

process of capital, the necessary conversion of commodity capital into money capital. Insofar as the acceleration of this conversion process—such acceleration is a general feature of credit—speeds up reproduction, and therefore the production of surplus-value, the money lent is capital. On the other hand, insofar as it only serves to pay *debts* without accelerating the reproduction process, perhaps even limiting it or making it impossible, it is a mere *means of payment*, only money for the borrower, and for the *lender it is, in fact, capital independent of the process of capital.* In this case interest, like profit upon expropriation, is a fact independent of capitalist production—the production of surplus-value. It is in these two forms of money—money as means of purchase of commodities intended for consumption and as means of payment of debts—that interest, like profit upon expropriation, constitutes a form which, although it is reproduced in capitalist production, is nevertheless independent of it and [represents] a form of interest which belongs to earlier modes of production. It is in the nature of capitalist production, however, that money (or commodities) can exist as capital and can be sold as capital outside the production process, and that this can also be the case with the older forms, which are not converted into capital but only serve as money.

The third of the older forms of interest-bearing capital is based on the fact that capitalist production does *not* as yet exist, but that profit is still acquired in the form of interest and the capitalist appears as a mere usurer. This implies: first, that the producer still works independently with his own means of production, and that the means of production do not yet work with him[e] (even if slaves form a part of these means of production, for in these circumstances slaves do not constitute a separate economic category any more than draught animals do; there is at best a physical difference between them, i.e., dumb instruments, and speaking and feeling

instruments); secondly, that the means of production belong only nominally to the producer; in other words, that because of some incidental circumstances he is unable to reproduce them from the proceeds of the sale of his commodities. These forms of interest-bearing capital occur, consequently, in all social formations which include commodity and money circulation, whether slave labour, serf labour or free labour is predominant in them. In the last-mentioned form, the producer pays the capitalist his surplus labour in the form of interest, which therefore includes profit. We have here the whole of ||914| capitalist production without its advantages, the development of the social forms of labour and of the productivity of labour to which they give rise. This form is very prevalent among peasant nations who already have to buy a portion of the necessaries of life and means of production as commodities (alongside whom, therefore, separate urban industries already exist) and who, in addition, have to pay taxes, rent, etc., in money.}

Interest-bearing capital functions as such only insofar as the money lent is really converted into capital and produces a surplus of which interest constitutes a part. This does not however invalidate the fact that interest and interest-bearing have become attributes of it independently of the [production] process. Any more than the use-value of cotton as cotton is nullified by the fact that it has to be spun or used in some other way, in order to demonstrate its useful properties. And thus capital [demonstrates] its capacity to yield interest only by becoming part of the production process. But labour-power likewise demonstrates its capacity to produce value when it functions as labour, is realised as labour in this process. This does not rule out that, in itself, as a faculty, it is a value-creating activity and does not merely become such as a result of the process, but rather is antecedent to the process. It is bought as such. A person can buy it without setting it to work (as, for example, when a theatre

manager hires an actor not in order to give him a role in a play, but to prevent him from performing in a rival theatre). Whether or not a man who buys labour-power uses its faculty for which he pays, i.e., its faculty to create value, is of no concern to the man who sells it, and makes no difference to the commodity sold, just as it makes no difference whether the man who buys capital uses it as such, that is, employs the quality of creating value which is inherent in it, in the [production] process. What he pays for in these two cases is the surplus-value and the capacity of maintaining its own value—potentially, by the very nature of the commodity bought—contained in the capital in the one case and in the labour-power in the other. This is why the capitalist who operates with his own capital regards part of the surplus-value as interest, that is, as surplus-value which is yielded by the production process, because it has been brought into the production process by the capital independently of the process.

Rent and the relationship land—rent may appear as a much more mysterious form than that of interest, [and the relationship] capital—interest. But the irrational element in rent is not formulated in such a way that it expresses a *relation of capital itself*. Since land itself is productive (of use-value) and is itself a living productive force (of use-value or for the creation of use-values), it is possible either superstitiously to confuse use-value with exchange-value, i.e., to confuse it with a specific social form of the labour contained in the product. In this case, the reason for the irrationality lies in itself, since rent as a particular category is independent of the capitalist process as such. Or "enlightened" political economy may deny altogether that rent is a form of surplus-value, because it is not connected with either labour or capital, and declare that it is merely a surcharge which the landowner is able to make as a result of his monopoly of landownership.

The position is different in the case of interest-bearing capital. Here it is a question not of a relation which is alien to capital, but of the capital relation itself; of a relation which arises out of capitalist production, is specific to it, and expresses the essence of capital; of an aspect of capital in which it appears *as capital*. *Profit* is still related to operating capital, to the process in which surplus-value (and profit itself) is produced. Whereas in *profit* the form of surplus-value has become alienated, strange, so that its simple form and therefore its substance and source of origin are not immediately discernible, this is not the case in *interest-bearing capital;* on the contrary it is *precisely* this alienated form which is presupposed and declared to be the *essential* feature of *interest*. The alienated form has assumed an independent and rigid existence as something *antagonistic* to the real nature of surplus-value. The relationship of capital to labour is obliterated in interest-bearing capital. In fact, interest presupposes profit, of which it is only a part. The way in which surplus-value ||915| is divided into interest and profit and distributed between different sorts of capitalists is actually a matter of complete indifference to the worker.

Interest is definitely regarded as the offspring of capital, separate, independent and outside the capitalist process itself. It is due to *capital as capital*. It enters into the production process and therefore proceeds from it. Capital is impregnated with interest. It does not derive interest from the production process, but brings it into it. The surplus of profit over interest, the amount of surplus-value which capital derives solely from the production process, i.e., the surplus-value it produces as operating capital, acquires a separate form, namely, that of *industrial profit* (employer's profit, industrial or commercial, depending on whether the stress is laid on the production process or the circulation process), in contrast to interest, a value created by *capital in itself* and

due to *capital*, to *capital as capital*. Thus even the last form of surplus-value, which to some extent recalls its origin, is separated and conceived not only as an alienated form, but as one which is in direct contradiction to its origin; consequently the nature of capital and of surplus-value as well as that of capitalist production in general is, finally, completely mystified.

Industrial profit, in contradistinction to *interest*, represents capital in the [production] process in contradistinction to capital outside the process, capital as a process in contradistinction to capital as property; it therefore represents the capitalist as functioning capitalist, as representative of *working capital* as opposed to the capitalist as mere personification of capital, as mere owner of capital. He thus appears as *working capitalist* in contrast to himself as *capitalist*, and further, as *worker* in contrast to himself as mere *owner*. Consequently, insofar as any relation between surplus-value and the process is still preserved, or apparent, this is done precisely in the form in which the very notion of surplus-value is negated. *Industrial profit* is resolved into labour, not into *unpaid* labour of other people but into *wage-labour*, into wages for the capitalist, who in this case is placed into the same category as the wage-worker and is merely a more highly paid worker, just as in general wages vary greatly.

Money is indeed not converted into capital as a result of the fact that it is exchanged against the material conditions required for the production of the commodity, and that in the labour process these conditions—materials of labour, instruments of labour and labour—begin to ferment, act on one another, combine with one another, undergo a chemical process and form the commodity like a crystal as a result of this process. The outcome of this would be no capital, no surplus-value. This abstract form of the labour process is common to all modes of production whatever their social

form or their particular historical character. The process only becomes a capitalist process, and money is converted into capital only: 1) if *commodity production*, i.e., the production of products in the form of commodities, becomes the general mode of production; 2) if the commodity (money) is exchanged against labour-power (that is, actually against labour) as a commodity, and consequently if labour is wage-labour; 3) this is the case however only when the objective conditions, that is (considering the production process as a whole), the products, confront labour as independent forces, not as the property of labour but as the property of someone else, and thus in the form of *capital*.

Labour as wage-labour and the conditions of labour as capital (that is, consequently, as the property of the capitalist; they are themselves properties personified in the capitalist and whose property in them, their property in themselves, they represent as against labour) are expressions of the same relationship, only seen from opposite poles. This condition of capitalist production is its invariable result. It is its *antecedent* posited by itself. Capitalist production is antecedent to itself and is therefore posited with its conditions as soon as it has evolved and functions in circumstances appropriate to it. However, the *capitalist production process* is not just a production process pure and simple. The contradictory, socially determined feature of its elements evolves, becomes reality only in the process itself, and this feature is the predominant characteristic of the process, which it turns precisely into that socially determined mode of production, the *capitalist process of production*.

||916| The *formation process* of capital—when capital, i.e., not any particular capital, but capital in general, only evolves—is the *dissolution process*, the *parting product* of the social mode of production preceding it. It is thus a *historical process*, a process which belongs to a definite historical period. This is the period of

its *historical genesis*. (In the same way the existence of the human race is the result of an earlier process which organic life passed through. Man comes into existence only when a certain point is reached. But once man has emerged, he becomes the permanent pre-condition of human history, likewise its permanent product and result, and he is *pre-condition* only as his own product and result.) It is here that labour must separate itself from the conditions of labour in their previous form, in which it was identical with them. It becomes *free* labour only in this way and only thus are its conditions converted into *capital* and confront it as such. The process of capital becoming capital or its development *before* the capitalist production process exists, and its realisation in the capitalist process of production itself belong to two historically different periods. In the second, capital is *taken for granted*, and its existence and automatic functioning is presupposed. In the first period, capital is the sediment resulting from the process of dissolution of a different social formation. It is the *product* of a different [formation], not the product of its own reproduction, as is the case later. The existing basis on which capitalist production works is wage-labour, which is however at the same time reproduced continuously by it. It is therefore based also on *capital*, the form assumed by the conditions of labour, as its given prerequisite, a prerequisite however which, like wage-labour, is its continuous presupposition and its continuous product.

On this basis, *money*, for example, is, as such, capital because the conditions of production in themselves confront labour in an alienated form, they confront it as someone else's property and thus dominate it. Then capital can also be sold as a *commodity* which has this attribute, that is, it can be sold as capital, as is the case when capital is loaned at interest.

But while thus the aspect of the specific social determination of capital and of capitalist production—a

specific social determination which is expressed juridically in capital as property, in capital property as a special form of property—is *established*, and *interest*, therefore, appears as that *part of surplus-value* which is produced by capital in this determinate form, independent of this determination considered as the determination of the process as a whole, then the other part of surplus-value, the surplus of profit over interest, *industrial profit*, must obviously represent value which does not arise from capital as such, but from the production process separated from its social determination, which has indeed already found its special mode of existence in the formula, capital—interest. Separated from capital, however, the production process becomes *labour process* in general. [Consequently] the industrial capitalist as distinct from himself as capitalist, that is, the industrialist in contradistinction to himself as capitalist, i.e., owner of capital, is thus merely a simple functionary in the labour process; he does not represent functioning capital, but is a functionary irrespective of capital, and therefore a particular representative of the labour process in general, a *worker*. In this way, industrial profit is happily converted into *wages* and is equated with ordinary wages, differing from them only quantitatively and in the special form in which they are paid, i.e., that the capitalist pays wages to himself instead of someone else paying them to him.

The nature of surplus-value (and therefore of capital) is not only obliterated in this final division of profit into *interest* and *industrial profit*, but it is definitely presented as something quite different.

Interest represents part of surplus-value; it is merely a portion of profit which is separated and classified under a special name, the portion which accrues to the person who merely owns the capital, the portion he intercepts. But this merely *quantitative* division is

turned into a *qualitative division* which transforms both parts in such a way that not even a trace of their original essence seems to remain. ||917| This is first of all confirmed by the fact that *interest* does not appear as a division which makes no difference to production, and takes place only "occasionally" when the industrialist operates with someone else's capital. Even when he operates with his own capital his profit is split into *interest* and *industrial profit*, thereby transforming the mere quantitative division into a *qualitative* one which does not depend on the accidental circumstance whether the industrialist owns or does not own his capital; the *qualitative* division arises out of the nature of capital and of capitalist production itself. There exist not simply two portions of profit distributed to two different persons, but two separate *categories* of profit which are related in different ways to capital and consequently to different determinate aspects of capital. Apart from the reasons mentioned earlier, this assumption of an independent existence is established all the more easily since *interest-bearing capital* appears on the scene as a historic form before industrial capital and continues to exist alongside it in its old form and it is only in the course of the development of industrial capital that the latter subordinates it to capitalist production by turning it into a *special form* of industrial capital.

The mere quantitative division thus becomes a qualitative one. Capital is itself divided. Insofar as it is a *prerequisite* of capitalist production, insofar, therefore, as it *expresses a specific social relation*, the *alienated form of the conditions of labour*, it is realised in *interest*. It realises its character as capital in interest. On the other hand, insofar as it operates in the process, this process appears as something separate from its specific capitalist character, from its specific social determination—as mere *labour process* in general. Therefore, insofar as the capitalist plays any part

in it, he does so not as a capitalist—for this aspect of his character is allowed for in interest—but as a functionary of the labour process in general, as a *worker*, and his wages take the form of *industrial profit*. It is a special type of labour—labour—of superintendence—but after all types of labour in general differ from one another.

Thus the nature of surplus-value, the essence of capital and the character of capitalist production are not only completely obliterated in these two forms of surplus-value, they are turned into their opposites. But even insofar as the character and form of capital are complete [it is] nonsensical [if] presented without any intermediate links and expressed as the subjectification of objects, the objectification of subjects, as the reversal of cause and effect, the religious *quid pro quo*, the pure form of capital expressed in the formula M—M'. The ossification of relations, their presentation as the relation of men to things having a definite social character is here likewise brought out in quite a different manner from that of the simple mystification of commodities and the more complicated mystification of money. The transubstantiation, the fetishism, is complete.

Thus *interest* in itself expresses precisely the existence of the conditions of labour as *capital* in their social contradiction and in their transformation into personal forces which confront labour and dominate labour. It sums up the *alienated* character of the conditions of labour in relation to the activity of the subject. It represents the ownership of capital or mere capital property as the means for appropriating the products of other people's labour, as the control over other people's labour. But it presents this character of capital as something belonging to it apart from the production process itself and by no means as resulting from the specific determinate form of the production process itself. Interest presents capital not in opposition to labour, but, on the contrary, as having no relation to

labour, and merely as a relation of one capitalist to another; consequently, as a category which is quite extrinsic to, and independent of, the relation of capital to labour. The division of the profit amongst the capitalists does not affect the worker. Thus *interest*, the form of profit which is the special expression of the *contradictory character* of capital, is an expression in which this contradiction is completely obliterated and explicitly left out of account. Apart from expressing the capacity of money, commodities, etc., to expand their own value, interest, insofar as it presents surplus-value as something deriving from money, commodities, etc., as their natural fruit, is therefore merely a manifestation of the mystification of capital in its most extreme form; insofar as it at all represents a social relation *as such*, it expresses ||918| merely relations between capitalists, and by no means relations between capital and labour.

On the other hand, the existence of this form of *interest* gives the other part of profit the *qualitative form of industrial profit*, of wages for the labour of the industrial capitalist not in his capacity as capitalist, but as a *worker* (industrialist). The particular functions which the capitalist as such has to perform in the labour process and which are incumbent precisely on him as distinct from the workers, are represented as mere labour functions, He produces surplus-value not because he works as a *capitalist*, but because he, the capitalist, also *works*. It is just as if a king, who, as king, has nominal command of the army, were to be assumed to command the army not because he, as the owner of the kingship, *commands*, plays the role of commander-in-chief, but on the contrary that he is king because he *commands*, exercises the function of commander-in-chief. If thus one part of surplus-value, i.e., interest, is completely separated from the process of exploitation, then the other part, that is, industrial profit, emerges as its direct opposite, not as appropriation of other people's

labour, but as the creation of value by one's own labour. This part of surplus-value is therefore no longer surplus-value, but its opposite, an equivalent given for labour performed. Since the *alienated character* of capital, its opposition to labour, is displayed outside the exploitation process, that is, outside the sphere where the *real action of this alienation* takes place, all the contradictory features are eliminated from this process itself. Consequently, *real* exploitation, the sphere where these contradictory features are put into practice and where they manifest themselves in reality, appears as its exact opposite, as a substantially different kind of labour, which belongs however to the same socially determined form of labour—wage-labour—to the same *category* of labour. The work of the exploiter is identified here with the labour which is exploited.

This conversion of one part of profit into *industrial profit* arises, as we have seen, from the conversion of the other part into *interest*. The social form of capital—that it is property—devolves on the latter part; on the former part devolves the economic function of capital, its function in the labour process, but detached, abstracted from the social form, the contradictory form in which it exercises this function. How this is further justified by learned reasoning is to be examined in greater detail in connection with the apologetic interpretation of profit as [remuneration for] labour of superintendence. Here the capitalist is equated with his *manager*, as Adam Smith already noted.

Industrial profit does indeed include some part of wages—in those cases where the manager does not draw them. Capital appears in the production process as the director of labour, as its commander (captain of industry) and thus plays an active role in the labour process. But insofar as these functions arise out of the specific form of capitalist production—that is, out of the domination of capital over labour as *its* labour and, therefore, over the

workers as its instruments, out of the nature of capital, which appears as the *social entity*, the subject of the social form of labour personified in it [capital] as power over labour—this work (it may be entrusted to a manager) which is linked with exploitation is, of course, labour which, in the same way as that of the wage-worker, enters into the value of the product; just as *in the case of slavery, the labour of the overseer* has to be paid for like that of a worker. If man attributes an independent existence, clothed in a *religious form*, to his relationship to his own nature, to external nature and to other men so that he is dominated by these notions, then he requires *priests* and *their* labour. With the disappearance of the religious form of consciousness and of these relationships, the labour of the priests will likewise cease to enter into the social process of production. The labour of priests will end with the existence of the *priests* themselves and, in the same way, the labour which the capitalist performs *qua* capitalist, or causes to be performed by someone else, will end together with the existence of the capitalists. (The example of slavery has to be amplified by quotations.)

Incidentally, these apologetics aimed at reducing profit to wages, i.e., the wages of superintendence, boomerang on the apologists themselves, for English ||919| socialists have rightly declared: Well, in future, you shall only draw the wages usually paid to managers. Your industrial profit should not be reduced to wages of superintendence or direction of labour merely in words, but in practice.

<It is of course impossible to examine in detail this nonsense and twaddle with all its contradictions. For example, industrial profit rises and falls in inverse [proportion] to interest or rent. The *superintendence of labour*, the particular amount of labour really performed by the capitalist, has however nothing whatever to do with it, any more than with the *decline in wages*. This kind of wages has the peculiarity that it falls and rises in inverse

proportion to real wages (insofar as the rate of profit is determined by the rate of surplus-value, and insofar as all the *conditions of production* remain unchanged, it is determined *exclusively* by this). But "little contradictions" of this kind do not prevent the apologetic vulgarian from regarding them as identical. The labour performed by the capitalist remains absolutely the same whether he pays low or high wages, whether the worker receives high or low wages. Just as the wages paid for a working-day do [not] affect the amount of labour involved. Moreover, the worker works more intensively when he gets better wages. The labour of the capitalist, on the other hand, is something strictly determined, it is determined both qualitatively and quantitatively by the amount of labour he has to direct, not by the wages paid for this labour. He can no more intensify his labour than the cotton operative can work up more cotton than is available in the mill.>

And they[f] add: the function of the manager, the labour of superintendence, can now be bought on the market in the same way as any other kind of labour-power, and is relatively just as cheap to produce and therefore to buy. Capitalist production itself has brought about that the labour of superintendence walks the streets, separated completely from the ownership of capital, whether one's own or other people's. It has become quite unnecessary for *capitalists* to perform this labour of superintendence. It is actually available, separate from capital, not in the sham separation which exists between the industrial capitalist and the moneyed capitalist, but that between industrial managers, etc., and capitalists of every sort. The best demonstration of this are the co-operative factories built by the workers themselves. They are proof that the capitalist as functionary of production has become just as superfluous to the workers as the landlord appears to the capitalist with regard to bourgeois production. *Secondly:* Insofar

as the labour of the capitalist does not arise from the [production] process as a capitalist production process, and therefore disappears automatically with the disappearance of capital, i.e., insofar as it is not simply a name for the function of exploiting other people's labour, but insofar as it arises from the social form of labour—co-operation, division of labour, etc.—it is just as independent of capital as is this form [of labour] itself once it has stripped off its capitalist integument. To assert that this labour, as *capitalist labour*, as the function of the capitalist, is necessary, only shows that the vulgarian cannot *conceive* the social productive forces and the social character of labour developed within the framework of capital as something separate from the capitalist form, from the form of alienation, from the antagonism and contradiction of its aspects, from its inversion and *quid pro quo*. (And this is precisely what we say.) |XV-919||

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||XVIII-1142| <The capitalist's real profit is largely profit upon expropriation and the "individual labour" of the capitalist has an especially wide scope in this field, where it is not a question of the creation of surplus-value but of the distribution of the aggregate profit of the whole class of capitalists among the individual members in the field of commerce. This does not concern us here. Certain kinds of profit, those based on speculation for example, are restricted merely to this field. It is therefore quite impossible to examine them here. It is an indication of the bovine stupidity of vulgar economy that (particularly in order to represent profit as "wages") it confuses this with profit insofar as it originates in surplus-value. See the worthy *Roscher*, for example. It is thus quite natural that, when dealing with the division of the aggregate profit of the whole capitalist class, such asses should mix up the items in the accounts and grounds for compensation of capitalists in different

spheres of production with the grounds for the exploitation of the workers by the capitalists, with the grounds, so to speak, for the origin of profit as such.> |XVIII-1142||

[5. Essential Difference Between Classical and Vulgar Economy. Interest and Rent as Constituent Elements of the Market Price of Commodities. Vulgar Economists Attempt to Give the Irrational Forms of Interest and Rent a Semblance of Rationality]

||XV-919| It is in *interest-bearing capital*—in the division of profit into interest and [industrial] profit—that capital finds its most objectified form, its pure fetish form, and the nature of surplus-value is presented as something which has altogether lost its identity. Capital—as an entity—appears here as an independent source of value; as something which creates value in the same way as land [produces] rent, and labour wages (partly wages in the proper sense, and partly industrial profit). Although it is still the price of the commodity which has to pay for wages, interest and rent, it pays for them because the land which enters into the commodity produces the rent, the capital which enters into it produces the interest, and the labour which enters

into it produces the wages, [in other words these elements] produce the portions of value which accrue to their respective owners or representatives—||920| the landowner, the capitalist, and the worker (wage-worker and industrialist). From this standpoint therefore, the fact that, on the one hand, the price of commodities determines wages, rent and interest and, on the other hand, the price of interest, rent and wages determines the price of commodities, is by no means a contradiction contained in the theory, or if it is, it is a contradiction, a vicious circle, which exists in the real movement.

True, the rate of interest fluctuates, but only like the market price of any other commodity in accordance with the ratio of demand and supply. This by no means invalidates the notion of interest being inherent in capital just as the fluctuations in the prices of commodities do not invalidate prices as designations appropriate to commodities.

Thus land, capital and labour on the one hand—insofar as they are the sources of rent, interest and wages and these are the constituent elements of commodity prices—appear as the elements which create value, and on the other hand, insofar as they accrue to the owner of each of these means for the production of value, i.e., insofar as he derives the portion of the value created by them, they appear as sources of revenue, and rent, interest and wages appear as forms of *distribution*. (As we shall see later, it is the result of stupidity that the vulgarians, as opposed to critical economy, in fact regard forms of distribution simply as different aspects of forms of production whereas the critical economists separate them and fail to recognise their identity.)

In interest-bearing capital, capital appears to be the *independent source of value* or surplus-value it possesses as money or as commodities. And it is indeed this source in itself, in its material aspect. It must of

course enter into the production process in order to realise this faculty; but so must land and labour.

One can therefore understand why the vulgar economists prefer [the formula]: land—rent; capital—interest; labour—wages, to that used by Smith and others for the elements of price (or rather for the parts into which it can be broken down) and where [the relation] *capital—profit* figures, just as on the whole the capital relation as such is expressed in this form by all the classical economists. The concept of profit still contains the inconvenient connection with the [production] process, and the real nature of surplus-value and of capitalist production, in contra-distinction to their *appearance*, is still more or less recognisable. This connection is severed when interest is presented as the intrinsic product of capital and the other part of surplus-value, industrial profit, consequently disappears entirely and is relegated to the category of wages.

Classical political economy seeks to reduce the various fixed and mutually alien forms of wealth to their inner unity by means of analysis and to strip away the form in which they exist independently alongside one another. It seeks to grasp the inner connection in contrast to the multiplicity of outward forms. It therefore reduces rent to surplus profit, so that it ceases to be a specific, *separate* form and is divorced from its apparent source, the land. It likewise divests interest of its independent form and shows that it is a part of profit. In this way it reduces all types of revenue and all independent forms and titles under cover of which the non-workers receive a portion of the value of commodities, to the single form of profit. Profit, however, is reduced to surplus-value since the value of the whole commodity is reduced to labour; the amount of paid labour embodied in the commodity constitutes wages, consequently the surplus over and above it constitutes unpaid labour, surplus labour called forth by

capital and appropriated gratis under various titles. Classical political economy occasionally contradicts itself in this analysis. It often attempts directly, leaving out the intermediate links, to carry through the reduction and to prove that the various forms are derived from one and the same source. This is however a necessary consequence of its analytical method, ||921| with which criticism and understanding must begin. Classical economy is not interested in elaborating how the various forms come into being, but seeks to reduce them to their unity by means of analysis, because it starts from them as given premises. But analysis is the necessary prerequisite of genetical presentation, and of the understanding of the real, formative process in its different phases. Finally a failure, a deficiency of classical political economy is the fact that it does not conceive the *basic form of capital*, i.e., production designed to appropriate other people's labour, as a *historical* form but as a *natural form* of social production; the analysis carried out by the classical economists themselves nevertheless paves the way for the refutation of this conception.

The position is quite different as regards *vulgar political economy*, which only becomes widespread when political economy itself has, as a result of its analysis, undermined and impaired its own premises and consequently the opposition to political economy has come into being in more or less economic, utopian, critical and revolutionary forms. For the development of political economy and of the opposition to which it gives rise keeps pace with the *real* development of the social contradictions and class conflicts inherent in capitalist production. Only when political economy has reached a certain stage of development and has assumed well-established forms—that is, after Adam Smith—does the separation of the element whose notion of the phenomena consists of a mere reflection of them take

place, i.e., its vulgar element becomes a special aspect of political economy. Thus *Say* Separates the vulgar notions occurring in *Adam Smith's* work and puts them forward in a distinct crystallised form. *Ricardo* and the further advance of political economy caused by him provide new nourishment for the vulgar economist (who does not produce anything himself): the more economic theory is perfected, that is, the deeper it penetrates its subject-matter and the more it develops as a contradictory system, the more is it confronted by its own, increasingly independent, vulgar element, enriched with material which it dresses up in its own way until finally it finds its most apt expression in academically syncretic and unprincipled eclectic compilations.

To the degree that economic analysis becomes more profound it not only describes contradictions, but it is confronted by its own contradiction simultaneously with the development of the actual contradictions in the economic life of society. Accordingly, vulgar political economy deliberately becomes increasingly *apologetic* and makes strenuous attempts to talk out of existence the ideas which contain the contradictions. Because he finds the contradictions in Smith relatively undeveloped, *Say's* attitude still seems to be critical and impartial compared, for example, with that of *Bastiat*, the professional conciliator and apologist, who, however, found the contradictions existing in the economic life worked out in Ricardian economics and in the process of being worked out in socialism and in the struggles of the time. Moreover, vulgar economy in its early stages does not find the material fully elaborated and therefore assists to a certain extent in solving economic problems from the standpoint of political economy, as, for example, *Say*, whereas a Bastiat needs merely to busy himself with plagiarism and attempts to argue away the *unpleasant* side of classical political economy.

But Bastiat does not represent the last stage. He is still marked by a lack of erudition and a quite superficial acquaintance with the branch of learning which he prettifies in the interests of the ruling class. His apologetics are still written with enthusiasm and constitute his real work, for he borrows the economic content from others just as it suits his purpose. The last form is the *academic form*, which proceeds "historically" and, with wise moderation, collects the "best" from all sources, and in doing this contradictions do not matter; on the contrary, what matters is comprehensiveness. All systems are thus made insipid, ||922| their edge is taken off and they are peacefully gathered together in a miscellany. The heat of apologetics is moderated here by erudition, which looks down benignly on the exaggerations of economic thinkers, and merely allows them to float as oddities in its mediocre pap. Since such works only appear when political economy has reached the end of its scope as a science, they are at the same time the *graveyard* of this science. (That they look down in an equally superior manner on the phantasies of the socialists need hardly be stressed.) Even the genuine thought of a Smith or a Ricardo, and others—not just their vulgar elements—is made to appear insipid in these works and becomes a vulgarism. Professor *Roscher* is a master of this sort of thing and has modestly proclaimed himself to be the Thucydides of political economy. His identification of himself with Thucydides may perhaps be based on his conception of Thucydides as a man who constantly confuses cause with effect.

In the form of *interest-bearing capital* it becomes quite obvious that capital *without* expending any labour appropriates the fruits of other people's labour. For it appears here in a form in which it is separated from the production process as such. But it can do this only because, in this form, it indeed enters by itself, without labour, into the labour process, as an element which in

itself creates *value*, i.e., is a source of value. While it appropriates part of the value of the product without labour, it has also created it without labour, *ex proprio sinu*, out of itself.

Whereas the classical, and consequently the critical, economists are exercised by the form of alienation and seek to eliminate it by analysis, the vulgar economists, on the other hand, feel completely at home precisely with the *alienated form* in which the different parts of value confront one another; just as a scholastic is familiar with God the Father, God the Son, and God the Holy Ghost, so are the vulgar economists with land—rent, capital—interest, and labour—wages. For this is the form in which these relationships appear to be directly connected with one another in the world of phenomena, and therefore they exist in this form in the thoughts and the consciousness of those representatives of capitalist production who remain captive to it. The more the vulgar economists in fact content themselves with translating common notions into doctrinaire language, the more they imagine that their writings are plain, *in accordance with nature* and the public interest, and free from all theoretical hair-splitting. Therefore, the more alienated the form in which they conceive the manifestations of capitalist production, the closer they approach the nature of common notions, and the more they are, as a consequence, in their natural element.

This, moreover, renders a substantial service to apologetics. For [in the formula:] land—rent, capital—interest, labour—wages, for example, the different forms of surplus-value and configurations of capitalist production do not confront one another as alienated forms, but as heterogeneous and independent forms, merely different from one another but *not antagonistic*. The different revenues are derived from quite different sources, one from land, the second from capital and the third from labour. Thus they do not stand

in any hostile connection to one another because they have no inner connection whatsoever. If they nevertheless work together in production, then it is a harmonious action, an expression of harmony, as, for example, the peasant, the ox, the plough and the land in agriculture, in the real labour process, work together *harmoniously* despite their dissimilarities. Insofar as there is any contradiction between them, it arises merely from competition as to which of the agents shall get more of the value they have jointly created. Even if this occasionally brings them to blows, nevertheless the outcome of this competition between land, capital and labour finally shows that, although they quarrel with one another ||923| over the division, their rivalry tends to increase the value of the product to such an extent that each receives a larger piece, so that their competition, which spurs them on, is merely the expression of their harmony.

Herr Arnd, for example, says in criticism of *Rau:*

> "Similarly, the author allows himself to be led by some of his predecessors to adding to the three elements of national wealth (wages, capital rent, land rent) a fourth, that of employers' profit. This entirely destroys the basis—constructed with such circumspection by Adam Smith—for any further development of *our science*" (!); "such a development is consequently quite out of the question in the work under consideration" (Karl Arnd, *Die naturgemäße Volkswirthschaft, gegenüber dem Monopoliengeiste und dem Communismus, mit einem Rückblicke auf die einschlagende Literatur*, Hanau, 1845, S.477).

By "capital rent" Herr Arnd means *interest* (op. cit., p. 123). According to this one might think that Adam Smith reduces national wealth to *interest*, rent and wages, whereas on the contrary he quite expressly declares that *profit* results from the use of capital and repeatedly and expressly states that *interest*—insofar as it

constitutes surplus-value at all—is only a form *derived* from profit. Thus the vulgar economist reads into his sources the direct opposite of what they contain. Where Smith writes "profit" Arnd reads "interest". It would be interesting to know what he supposes Adam Smith's "interest" to mean.

This same "circumspect" developer of "*our science*" makes the following interesting discovery:

> "In the natural course of the production of wealth, there is only *one* phenomenon which—in fully cultivated countries—seems to be destined to regulate the rate of interest to some extent, and it is the ratio in which the amount of wood in the European forests increases as a result of annual additional growth. This annual increase takes place quite *independently of their exchange-value*" (how strange that the trees arrange their additional growth "independently of exchange-value"!) "in the ratio of 3 to 4 per 100. Accordingly *therefore*" <since this additional increase in the number of trees is "independent of their exchange-value", no matter how much their exchange-value may depend on their additional growth>, "a decline" (in the rate of interest) "below the level at present prevailing in the richest countries is not likely" (loc. cit., pp. 124-25).

This deserves to he called the "rate of interest originating in the forest", and in the same work its inventor has rendered another service to "our science" as the philosopher of the "dog tax".

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{Profit (including industrial profit) is proportionate to the amount of the capital advanced; on the other hand, the *wages* drawn by the industrial capitalist [stand] in inverse ratio to the amount of capital. [They are] considerable where the capital is small (because, in this

case, the capitalist is something between an exploiter of other people's labour and a person who lives off his own labour), and insignificant where the capital is large, or they are quite independent of it in the case where a manager is [employed]. One part of the labour of superintendence merely arises from the antagonistic contradiction between capital and labour, from the antagonistic character of capitalist production, and belongs to the incidental expenses of production in the same way as nine-tenths of the "labour" occasioned by the circulation process. A conductor does not have to be the owner of the instruments used by the orchestra, nor is it one of his functions as a conductor to speculate on the subsistence costs of the members of the orchestra, or, in general, to have anything to do with their "wages". It is very remarkable that economists like John Stuart Mill, who cling to the forms of "interest" and "industrial profit" in order to convert "industrial profit" into wages for superintendence of labour, admit along with Smith, Ricardo and all other economists worth mentioning, that the average rate of interest is determined by the average rate of profit, [which according to] Mill stands in inverse ratio to the rate of wages, and it is therefore nothing but unpaid labour, surplus labour.

Two facts provide the best proof that the wages of superintendence do not enter [into the] average rate of profit at all.

||924| 1) That in co-operative factories, where the general manager receives a salary as in all other factories, and is responsible for the whole labour of superintendence—the overseers themselves are simply workers—the rate of profit is not below, but above, the average rate.

2) That where profit is continuously substantially above the average rate, as in individual, non-monopolised branches of business such as those of small shopkeepers,

farmers, etc., this is correctly explained by the economists as being due to the fact that these people pay themselves their own wages. Where only the proprietor himself works, his profit consists of—1) the interest on his small capital; 2) his wages; 3) that part of the surplus time which, because of his capital, he is able to work for himself instead of for someone else; i.e., the part not already represented by interest. If, however, he employs workers, then their surplus labour has to be added.

Of course the worthy *Senior* (Nassau) also converts *industrial profit* into wages of superintendence. But he forgets this humbug as soon as it is a question, not of doctrinaire phrases, but of practical struggles between workers and factory owners. Thus, he opposes the *shortening of the working-day*, because in a working-day of say 11 1/2 hours, the workers allegedly work only one hour for the capitalist, and the product of this one hour constitutes the capitalist's profit (apart from the *interest* for which they also work an hour according to his own calculation). Suddenly here industrial profit is equal to the value added by the unpaid labour-time of the worker and not to the value added by the labour which the capitalist performs in the production process of commodities. If industrial profit were the product of the capitalist's own labour, then Senior should not have deplored that the workers work only one hour for the capitalist for nothing instead of two, and even less should he have said that, if the workers worked only 10 1/2 hours instead of 11 1/2, there [would be] no profit *at all*. He should have said that if the workers worked only 10 1/2 hours instead of 11 1/2, the capitalist would not receive wages of superintendence for 11 1/2 hours but only for 10 1/2 hours, he would thus lose one hour's wages of superintendence. In which case the workers would answer that if ordinary wages for 10 1/2 hours have to suffice for them, then the *higher wages* the capitalist receives for 10 1/2 hours should suffice for him.

It is incomprehensible how economists like John Stuart Mill, who are Ricardians and even express the principle that profit is equal to surplus-value, surplus labour, in the form that the rate of profit and wages stand in inverse ratio to one another and that the rate of wages determines the rate of profit (which is incorrect when put in this form), suddenly convert industrial profit into the individual labour of the capitalist instead of into the surplus labour of the worker, unless the function of exploitation of other people's labour is called labour by them, the result of this is indeed that the wages of this labour are exactly equal to the amount of other people's labour appropriated, in other words, they depend directly on the degree of exploitation, not on the degree of exertion that this costs the capitalist. (Insofar as this function of exploitation really requires labour in the course of capitalist production, it is represented by the wages of general managers.) I say that it is incomprehensible that, after they as Ricardians have reduced profit to its real element, they allow themselves to be misled by the antithesis of interest and industrial profit which is simply a *disguised form* of profit and is merely regarded as an independent form due to ignorance of the nature of profit. Only because one part of profit, *interest*, appears to be due to capital as a thing, an automatically functioning, automatically creating thing, apart from the production process, the other part appears as *industrial* profit, as arising from the activity taking place in the process (really the active process, this however also includes the activity of the operating capitalist) and *therefore* as due to the labour of the capitalist. Consequently, because capital and the surplus-value which arises from it and is called interest are considered *mysteries*. This view, which clearly arises from notions reflecting the most superficial aspects of the external form of capital, is the exact opposite of Ricardo's view and altogether inconsistent with his conception of value. Insofar as capital is value, its value is determined

by the labour contained in it before it enters into the [production] process. Insofar as it enters the process as a thing, it does so as use-value, and as such, it can never create exchange-value, whatever its use. One can see how splendidly the Ricardians understand their own master. In relation to the moneyed capitalist, the industrial capitalist, who embodies functioning capital and therefore actually squeezes out surplus labour, is of course quite justified in pocketing a part of this surplus. In relation to the moneyed capitalist, he is a worker, but a *worker who is a capitalist, in other words, an exploiter of other people's labour*. ||925| But in relation to the workers it is *strange* to plead that the exploitation of their labour costs the capitalist labour and that, therefore, they have to pay him for this exploitation; it is the plea of the slave-driver addressed to the slave.}

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Every pre-condition of the social production process is at the same time its result, and every one of its results appears simultaneously as its pre-condition. All the *production relations* within which the process moves are therefore just as much its products as they are its conditions. The more one examines its nature as it really is, [the more one sees] that in the last form it becomes increasingly consolidated, so that independently of the process these conditions appear to determine it, and their own relations appear to those competing in the process as objective conditions, objective forces, aspects of things, the more so as, in the capitalist process, every element, even the simplest, the commodity for example, is already an inversion and causes relations between people to appear as attributes of things and as relations of people to the social attributes of things.

< Interest is the remuneration for the productive employment of savings; profit, properly so called, is the remuneration for the *agency for superintendence during*

this productive employment[g] (*The Westminster Review*, Vol. V, January–April 1826, p. 107).

Thus interest here is declared to be remuneration for the fact that money, etc., is employed as capital; it therefore arises from capital as such, which is remunerated for its quality *qua* capital. Industrial profit, on the other hand, is remuneration for the function of the capital or capitalist "during this productive employment", i.e., in the production process itself.> |925||

||925| *Interest* is only a part of profit, the part which is paid to the owner of capital by the industrial, functioning capitalist. Since he can appropriate surplus labour only by means of capital (money, commodities), etc., he has to hand over a portion of it to the man who makes capital available to him. And the lender, who wants to enjoy the advantages of money as capital without letting it function as capital, can do this only by being content with a part of the profit. They are in fact co-partners, one of them being the juridical owner of the capital, and the other, while he employs it, the economic owner. But since the profit only arises from the production process, is only its result and has first to be produced, *interest* is in fact merely a claim on part of the surplus labour which has yet to be performed, a title to future labour, a claim on a *portion of the value* of commodities which do not as yet exist, it is therefore only the result of a production process which takes place during the period at the end of which the interest only falls due.

||926| Capital is bought (that is, it is lent at interest) before it is paid for. Money functions here as means of payment as it does in relation to labour-power, etc. The price of capital—i.e., interest—enters therefore just as much into the advances made by the industrialist (and into the advances made to himself where a man is operating with his own capital) as the price of cotton which, for example, is bought today, but for which he has

to pay perhaps in six weeks' time. This fact is in no way altered either by the fluctuations in the rate of interest—the market price of money—or the fluctuations in the market prices of other commodities. On the contrary. The market price of money—the name for interest-bearing capital as money capital—is fixed on the money market by competition between buyer and seller, by demand and supply, like the price of any other commodity. The struggle between the moneyed and industrial capitalists is simply a struggle over the division of the profit, over the share which is to accrue to each of the two sections when the division is made. The relationship (demand and supply), like each of its two extremes, is itself a result of the production process or, in common parlance, [is determined] by the business situation existing at the time, the actual position in which the reproduction process and its elements find themselves. But, formally and apparently, it is this struggle which determines the *price* of capital (i.e., interest) before capital enters into the production process. This determination, moreover, occurs outside the real production process, and depends on factors independent of the process; this price determination appears rather as one of the conditions within which the process has to take place. Thus the struggle appears not only to establish the property title to a definite part of the future profit, but to cause this part not to emerge as a result of the production process, but on the contrary to enter into it as a pre-condition, as the price of capital, just as the prices of commodities or wages enter into it as pre-conditions, although in the course of the reproduction process they in fact continuously emerge from it. Each component of the price of a commodity, insofar as it appears as an advance—as an already existing commodity price which enters into the production price—ceases to represent surplus-value as far as the industrial capitalist is concerned. That part of the profit which thus enters into the production process as the price of capital is

reckoned as part of the cost of the outlay; it therefore no longer appears to be surplus-value and is converted from a *product* of the process into one of its given pre-conditions—a *condition of production*—which as such enters into the process in an independent form and determines its result.

(If, for example, the rate of interest falls, and the situation obtaining on the market requires a reduction in the price of commodities below cost-price, the industrialist can lower the commodity price without reducing the rate of industrial profit; he can indeed lower the price and secure a higher industrial profit, which, however, will be regarded by the man operating only with his own capital as a fall in the rate of profit, a reduction in the gross profit. Everything which appears as a *given condition of production*, such as the prices of commodities, wages, capital—the market prices of these elements—affects the determination of the *market price* of the commodity at any particular time; the real *cost-price* of a particular commodity is established only within the fluctuations of the market prices, and is only the self-equalisation of these market prices, just as the *value* of commodities is only established as a result of the equalisation of the cost-prices of all the different commodities. Thus, the vicious circle of the vulgarian, whether he is a theoretician regarding matters from the capitalist standpoint or is in fact a capitalist—namely, that the prices of commodities determine wages, interest, profit and rent and that, on the other hand, the prices of labour, interest, profit and rent determine the prices of commodities—is merely an *expression of the circular movement* in which the general laws assert themselves in contradictory fashion in the real movement and in appearance.)

A part of the surplus-value—interest—thus appears as the *market price* of capital, which enters into the [production] process, and is therefore regarded not as

surplus-value but as a condition of production. Thus, the fact that two sets of capitalists share the surplus-value, one set remaining outside the production process and the other participating in it, is presented in such a way that one part of surplus-value is due to capital outside the process and the other part to capital within the process. The fact that the division [of the surplus-value] is established beforehand is presented as the independence of one part from the other, as the independence of one part from the production process itself; and finally as the immanent attribute of things, *money, commodities*, but of these things as *capital;* this again appears not as the expression of a relationship, but in such a way that this money, these commodities are *technologically* intended for the labour process and because of this they become capital. Defined in this way, they are the simple elements of the labour process itself ||927| and as *such* they are *capital.*

There is nothing mysterious at all in the fact that the value of the commodity is made up partly of the value of the commodities contained in it, partly of the value of the labour—that is to say, the paid labour—partly of the unpaid but none the less salable labour, and that the part of its value which consists of unpaid labour—i.e., its surplus-value—is in turn divided into interest, industrial profit and rent; in other words, the person who "produces" and first of all takes possession of the whole of this surplus-value has to hand over portions of it to others, one portion to the landlord, another to the owner of the capital, and he keeps the third for himself; he does so however under a name—industrial profit—which distinguishes it from interest and rent, and from surplus-value and profit. The breakdown of surplus-value, that is, of part of the value of commodities, into these special headings or categories, is very understandable and does not conflict in the least with the law of value. But the whole matter is mystified because these different parts of

surplus-value acquire an independent form, because they accrue to different people, because the titles to them are based on different elements, and finally because of the autonomy with which certain of these parts of surplus-value confront the production process as its conditions. From parts into which value can be divided, they become independent elements which *constitute* value, they become *component parts*. This is what they are as far as market prices are concerned. They really become the constituent elements of the market price. How their apparent independence as conditions of the process is regulated by the inherent law and that they are only *apparently* independent, does not become evident at any moment in the course of the production process, nor does it operate as a determining conscious motive. Exactly the opposite. The highest consistency which can be assumed by this semblance of results taking the form of independent conditions becomes firmly established when *parts of surplus-value*—in the form of prices of the conditions of production—are included in the price.

And this is the case with regard to both interest and rent. They are part of the outlay of the industrial capitalist and the farmer. They seem here to represent not unpaid surplus labour, but paid surplus labour, that is, surplus labour for which an equivalent is paid during the production process, although not to the worker whose surplus labour it is, but to other people, i.e., the owners of capital and of land. They constitute surplus labour as far as the worker is concerned, but they are equivalents as regards the capitalist [who lends the money] and the landowner to whom they have to be paid. Interest and rent therefore appear not as surplus-value, and still less as surplus labour, but as *prices* of the commodities "capital" and "land", for they are paid to the capitalist and the landowner only in their capacities as owners of commodities, only as owners and sellers of these

commodities. That part of the value of the commodity which represents interest, therefore, appears as *reproduction* of the *price* paid for capital, and that part which represents rent appears as *reproduction* of the price paid for the land. These prices therefore become *constituent* parts of the total price. This does not merely *appear* to be the case to the industrial capitalist; for him interest and rent really constitute part of his outlay, and whereas, on the one hand, they are determined by the *market price* of his commodity—as the market price it is a determination of a commodity in which a social process or the result of a social process appears as a particular aspect belonging to the commodity, and the up and down of this process, its movement, appears as the fluctuations of the commodity price—on the other hand, the *market price* is determined by them, in just the same way as the market price of cotton determines the market price of yarn and, on the other hand, the market price of yarn determines the demand for cotton, hence the market price of cotton.

Since parts of surplus-value, i.e., interest and rent, enter into the production process as the *prices* of commodities—of the commodity land and the commodity capital—they exist in forms which not only conceal, but which disavow their real origin.

That surplus labour, *unpaid* labour, constitutes just as essential an element of the capitalist production process as *paid* labour, is expressed by the fact that factors of production—land and capital—distinct from labour have to be paid for, in other words, that *costs* besides the price of the commodities advanced and wages enter into the price. Parts of surplus-value—interest and rent—appear here as costs, as advances made by the exploiting capitalist.

Average profit enters into the production price of commodities as a determining factor and thus already

here surplus-value [appears to be] not a result, but a condition, not one of the parts into which the value of the commodity is divided, but a component part of its *price*. But *average* profit, like the *production price* itself, acts rather as a determining ideal and at the same time appears as *surplus* over and above the advances made ||928| and as a price which is different from the cost-price properly speaking. Whether or not [average profit is obtained] and whether it is higher or lower than the profit corresponding *to the market price—that* is, corresponding to the direct result of the [production] process—determines the reproduction process, or rather the scale of reproduction; it determines whether more or less of the capital existing in this or that sphere of production is withdrawn or invested; it also determines the ratio in which newly accumulated capital flows into these particular spheres, and finally, to what extent these particular spheres act as buyers in the money market. On the other hand, as *interest* and *rent*, the separate portions of surplus-value in a quite definite form become pre-conditions for the individual production prices and are anticipated in the form of advances.

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<*Advances*, that is, what is paid out by the capitalist, may be defined as *costs*. Profit accordingly appears as a surplus over these costs. This applies to the individual prices of production. And consequently, one can call the prices determined by the advances *cost-prices*.

Costs of production can be defined as prices determined by the average profit—that is, the price of the capital advanced plus the average profit—since this profit is the condition for reproduction, a condition which regulates the supply and the distribution of capital amongst the various spheres of production. These prices are *production prices*.

Finally, the real amount of labour (materialised and immediate labour) it costs to produce a commodity, is its *value*. It constitutes the real production cost of the commodity itself. The price which corresponds to it is simply the value expressed in money.

The term "cost of production" is used alternately in all three senses.>

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If no surplus-value were produced, then of course together with surplus-value the part of it which is called interest would also cease to exist, and so would the part which is called rent; the *anticipation* of surplus-value would likewise come to an end, in other words, it would no longer constitute a part of the costs of production in the shape of the *price* of commodities. The existing value entering into the production process would not emerge from it as *capital* at all, and accordingly, could not enter into the reproduction process as *capital*, nor be lent out as *capital*. It is thus the continuous reproduction of the same relations—the relations which postulate capitalist production—that not only causes them to appear as the social forms and results of this process, but at the same time as its continual *prerequisites*. But they are these only as prerequisites continually *posited*, created, *produced* by the process itself. This reproduction is therefore not conscious reproduction; on the contrary, it only manifests itself in the continuous existence of these relations as *prerequisites* and as *conditions* dominating the production process. The parts, for example, into which the commodity value can be divided are turned into its *component* parts which confront one another as independent parts, and they are consequently also independent in relation to their *unity*, which on the contrary appears to be a *compound* of these parts. The bourgeois sees that the product continually becomes the condition of production. But he does not

perceive that the production relations themselves, the social forms in which he produces and which he regards as given, natural relations, are the continuous product—and only for that reason the continuous prerequisite—of this specific social mode of production. The different relations and aspects not only become independent and assume a heterogeneous mode of existence, apparently independent of one another, but they seem to be the direct properties of things; they assume a material shape.

Thus the participants in capitalist production live in a bewitched world and their own relationships appear to them as properties of things, as properties of the material elements of production. It is however in the last, most derivative forms—forms in which the intermediate stage has not only become invisible but has been turned into its direct opposite—that the various aspects of capital appear as the real agencies and direct representatives of production. Interest-bearing capital is personified in the moneyed capitalist, industrial capital in the industrial capitalist, rent-bearing capital in the landlord as the owner of the land, and lastly, labour in the wage-worker. They enter into the competitive struggle and into the real process of production as these rigid forms, personified in independent personalities that appear at the same time to be mere representatives of personified things. Competition presupposes this externalisation. These forms conform to its nature and have come into being in the natural evolution of competition, and on the surface competition appears to be ||929| simply the movement of this inverted world. Insofar as the inner connection asserts itself in this movement, it appears as a mysterious law. The best proof is political economy itself, a science which seeks to rediscover the hidden connection. Everything enters into competition in this last, most externalised form. The market price, for example, appears to be the dominant factor here, just as the rate of interest, rent, wages,

industrial profit appear to be the constituents of value, and the price of land and the price of capital appear as given items with which one operates.

We have seen how Adam Smith first reduces value to wages, profit (interest) and rent, and then, conversely, presents these as independent constituent elements of commodity prices. He expresses the secret connection in the first version and the outward appearance in the second.

If one comes still closer to the surface of the phenomenon, then, in addition to the average rate of profit, interest and even rent can be represented as constituent parts of commodity prices (that is, of *market prices*). Interest can be so represented quite directly, since it enters into the cost-price. Rent—as the price of land—may not determine the price of the product directly, but it determines the method of production, whether a large amount of capital is concentrated on a small area of land, or a small amount of capital is spread over a large area of land, and whether this or that type of product is produced—e.g., cattle or corn—the market price of which covers the rent most effectively, for the rent must be paid before the term stipulated by contract expires.

In order that rent should not bring about a reduction in industrial profit, pasture is turned into arable land and arable land into pasture, etc. Rent therefore determines the market prices of individual commodities not directly, but only indirectly, by influencing the proportions in which the various types of commodities are produced in such a way that demand and supply will produce the best price for each so that rent can be paid. Even though rent does not directly determine the market price of corn, for example, it determines directly the market price of cattle, etc., in short, of commodities produced in the spheres where rent is not regulated by the market prices of their

products but where the market prices of products are regulated by the amount of rent borne by the grain-producing land. The price of meat, for example, is always too high in industrially developed countries, that is, it is not only far above its production price, but above its value. For the price must cover not only the cost of production, but also the rent which the land would carry if corn were grown on it. Otherwise, meat produced by large-scale stock-breeding—where the organic composition of capital approximates more closely [to the composition of capital in industry] or may have an even greater preponderance of constant capital over variable capital—could only pay a very small amount of *absolute rent*, or even none at all. The rent which it pays, and which enters directly into its price, is, however, determined by the absolute plus the differential rent which the land would pay as arable land. This differential rent, moreover, does not exist here in most cases. The best proof is that meat pays rent on the kind of land where corn does not.

If, therefore, *profit* enters into the production price as a determining factor, it can be said that wages, interest arid, to a certain degree, rent constitute determining elements of the market price and certainly of the production price. Of course, ultimately everything can be reduced to value which is determined by labour-time, for on the whole the movement of interest is determined by profit, while corn rent on the other hand is determined partly by the rate of profit, partly by the value of the product and the equalisation of the different values produced on different kinds of land to the market value; the rate of profit, however, is determined partly by wages, partly by the productivity of labour in those spheres of production which produce constant capital—in the last analysis therefore by the level of wages and the productivity of labour; wages, however, are the equivalent of a part of the commodity (that is, [they are] equal to the paid portion of

labour contained in the commodity, and profit is equal to the unpaid portion of labour contained in the commodity). Finally, the productivity of labour can affect the price of commodities only in two ways, either it affects their value, i.e., reduces it, or it affects their surplus-value, that is, increases it. Cost-price is nothing but the value of the capitals advanced plus the surplus-value they produce distributed amongst the different spheres according to the quota of the total capital which each sphere represents. Thus, cost-price resolves into value if one considers the total capital and not the individual spheres. On the other hand, the market prices in each sphere are continually reduced to the cost-price as a result of the competition between the capitals of the different spheres. Competition amongst the capitalists in each individual sphere seeks to reduce the market price of commodities to their market value. Competition between capitalists of different spheres reduces market values to common cost-prices.

Ricardo opposes Smith's establishment of value out of the parts of value which are determined by itself. But he is not consistent. Otherwise it would have been impossible for him to argue with Smith whether profit, wages and rent or, as he says, merely profit and wages, enter into price, that is, enter as *constituent* parts. Regarded analytically, they enter into it as soon as they are paid. He ought to have put it in this way: The price of every commodity is reducible to profit and wages, the prices of some commodities (and of very many, *indirectly*) are reducible to profit, rent and wages. But *no* commodity price is constituted by them ||930| for they are not independent factors acting of their own accord, having a definite magnitude, and *making up* the value of commodities; on the contrary, when the value is given, it can be divided into those parts in many different proportions. The magnitude of *value* is not determined by the addition or

combination of given factors—i.e., profit, wages and rent—but one and the same *magnitude of value*, a given *amount of value*, is broken down into wages, profit and rent, and according to different circumstances it is distributed between these three categories in very different ways.

Assuming that the production process repeats itself continuously under the same conditions, in other words, that reproduction takes place under the same conditions as production, which presupposes that productivity of labour remains unchanged, or at least that variations in productivity do not alter the relationships of the different factors of production; thus, even if the value of commodities were to rise or fall as a result of changes in productivity, the distribution of the value of commodities amongst the different factors of production would remain the same. In that case, although it would not be theoretically accurate to say that the different parts of value determine the value or price of the whole [output], it would be useful and correct to say that they constitute it insofar as one understands by constituting the formation of the whole by adding up the parts. The value would be divided at a steady and constant rate into [pre-existing] value and surplus-value, and the [newly created] value would be resolved at a constant rate into wages and profit, the profit again being broken down at a constant rate into interest, industrial profit and rent. It can therefore be said that P—the price of the commodity—is divided into wages, profit (interest) and rent, and, on the other hand, wages, profit (interest) and rent are the constituents of the value or rather of the price.

This uniformity or similarity of reproduction—the repetition of production under the same conditions—does not exist. Productivity itself changes and changes the conditions [of production]. The conditions, on their part, change productivity. But the divergences are reflected partly in superficial oscillations which even themselves

out in a short time, partly in a gradual accumulation of divergences which either lead to a crisis, [to a] violent, seeming restoration of the old relationships, or very gradually assert themselves and are recognised as a change in the conditions.

Interest and rent, which anticipate surplus-value, presuppose that the *general* character of reproduction will remain the same. And this is the case as long as the capitalist mode of production continues. Secondly, it is presupposed moreover that the *specific relations* of this mode of production remain the same during a certain period, and this is in fact also more or less the case. Thus the result of production *crystallises* into a *permanent* and *therefore prerequisite condition of production*, that is, it becomes a permanent *attribute of the material conditions of production*. It is *crises* that put an end to this apparent *independence* of the various elements of which the production process continually consists and which it continually reproduces.

<What *value* is for the genuine economist the *market price* is for the practical capitalist, that is, in each case the primary factor of the whole movement.>

The form of interest-bearing capital characteristic of and in accordance with capitalist production is *credit*. It is a form created by capitalist production itself. (The subordination of *commercial capital* [by the capitalist mode of production] does not in fact require such a new creation since commodity and money, and the circulation of commodities and money, remain the elementary prerequisites of capitalist production and are only turned into absolute prerequisites; commercial capital, on the one hand, is therefore the general form of capital and, on the other hand, insofar as it represents capital in a specific function—capital which operates exclusively in the circulation process—its determination by productive capital does not in any way alter its form.)

The equalisation of values to cost-prices occurs only because the individual capital functions as a commensurate part of the total capital of the whole class and, on the other hand, because the total capital of the class is distributed amongst the various individual spheres according to the needs of production. This is brought about by means of credit. Credit not only makes this equalisation possible and facilitates it, but one part of capital—in the form of moneyed capital—appears in fact to be the material common to the whole class and employed by it. This is one purport of credit. The other is the continual attempt made by capital to shorten the metamorphoses which it has to undergo in the circulation process, to anticipate the circulation time, its transformation into money, etc., and in this way to counteract its own ||931| limitations. Finally, the function of *accumulating*, insofar as it is not conversion [of revenue] into capital but the supply of surplus-value in the form of capital, becomes, in part, the responsibility of a special class, in part everything *accumulated* by society in this sense becomes accumulation of capital and is placed at the disposal of the industrial capitalists. Operations of this kind take place at a very large number of isolated points in society, [their results] are concentrated and collected in certain reservoirs. Money which lies idle due to freezing of the commodities in the metamorphosis, is thus converted into capital.

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Land—rent and capital—interest are irrational expressions insofar as rent is defined as the *price* of land and interest as the *price* of capital. The common origin [of all these different revenues] is still recognisable in the forms of interest-bearing capital, rent-bearing capital, profit-bearing capital, since, in general, *capital* involves appropriation of surplus labour; so that these different forms merely express the fact that the surplus labour

produced by capital is, as concerns capital in general, divided between two types of capitalists, and in the case of agricultural capital, it is divided between capitalist and landlord.

Rent as the (annual) *price* of land and interest as the *price* of capital are just as irrational as $\sqrt{-3}$. The latter form contradicts the number in its simple, elementary form just as those do in the case of capital in its simple form of commodities and money. They are in the converse sense irrational. Land—rent, i.e., rent as the price of land, defines land as a commodity, a use-value which has a value whose monetary expression is its price. But a use-value which is not the product of labour cannot have a value; in other words, it cannot be defined as the materialisation of a definite quantity of social labour, as the social expression of a certain quantity of labour. It is nothing of the kind. Only if it is the product of concrete labour can use-value take the form of exchange-value—become a commodity. Only under this condition can concrete labour, for its part, be expressed as *social labour*, value. Land and price are incommensurable magnitudes, nevertheless they are supposed to bear a certain relation to each other. Here a thing which has no value has a price.

Interest as the price of capital, on the other hand, expresses the converse irrationality. Here a commodity which has no *use-value* has a dual value, it has a value in the first place and in addition a price, which is different from this value. For capital *is*, to begin with, nothing but a *sum of money* or a *quantity of commodities* equal to a certain sum of money. If the commodity is lent out as capital, then it is nothing but a *sum of money* in camouflaged form. For what is lent *as capital* is not so many pounds of cotton, but so much *money* whose value exists in the form of cotton. The *price* of the capital is therefore related to it only as the existence of a *sum of money*, that is, a certain value expressed in money and

existing in the form of exchange-value. How is it possible for a value to have a price apart from the price which is expressed in its own money form? Price after all is the value of the commodity as *distinct* from its use-value. Price in contradistinction to the value of the commodity, price as the value of a sum of money (for price is simply the expression of value in money) is therefore a contradiction in terms.

This irrationality of expression (the irrationality of the thing itself arises from the fact that, as regards interest, capital as the prerequisite appears divorced from its own process, in which it becomes capital and consequently self-expanding value, and that, on the other hand, rent-bearing capital exists only as agricultural capital, as capital which only yields rent in a particular sphere, and this form in which it appears is *transmitted to the element that differentiates it in general from industrial capital*), this irrationality of expression is so much felt by the vulgarian that he falsifies both expressions in order to make them appear rational. He asserts that interest is paid on capital insofar as it is use-value, and therefore talks about the utility which the products or means of production have for reproduction and of the utility which capital has as a material element of the labour process.

But, after all, its utility, its use-value, already exists in its form as a commodity and without this it would not be a commodity and would have no value. As money, it is the expression of the value of commodities and is ||932| convertible into them in proportion to their own value. But if I convert money into a machine, into cotton, etc., then I convert it into use-values of *the same* value. The conversion is concerned only with the *value form*. As money, it has the use-value of being convertible into any other commodity, a commodity, however, of the same value. As a result of this transformation, the value of money changes no more than

that of the commodity when it is converted into money. The use-value of the commodities into which I can convert money does not give the money, in addition to its value, a price which is different from its value. If, however, I presuppose the conversion and assert that the price is paid for the use-value of the commodities, then the use-value of the commodities is not paid for at all or is only paid insofar as their exchange-value is paid for. How the use-value of any commodity is utilised, whether it enters into individual or industrial consumption, has absolutely no bearing on its exchange-value. It only determines who will buy it—the industrial capitalist or the immediate consumer. The productive usefulness of a commodity can therefore account for the fact that the commodity has exchange-value at all, for the labour embodied in the commodity is paid for only if it has use-value. Otherwise it is not a commodity—it is a commodity only as the unity of use-value and exchange-value. But this use-value can by no means account for the fact that as exchange-value or as price, it has in addition another and different price as well.

One can see how the vulgarian wants to get over the difficulty here by seeking to convert *capital*—that is, the money or the commodity insofar as these have a *specifically different* form from themselves as money or commodity—into a mere *commodity*, in other words, by disregarding precisely the specific difference which has to be explained. He does not wish to say that capital is a means for the exploitation of surplus labour and that it therefore represents greater value than the value contained in it. Instead he says: It has more value than its own value because it is an ordinary commodity like any other, that is, it possesses a use-value. Here capital is identified with commodity, whereas the point to be explained is how the commodity can function as capital.

The vulgarian, insofar as he does not echo the Physiocrats, deals with land in the opposite way. In the

previous case, he converted capital into a commodity in order to explain the *difference* between capital and commodity and the conversion of the commodity into capital. Now he converts land into capital because the capital relation as such is more in tune with his ideas than the price of land. Rent can be regarded as interest on capital. For example, if the rent is 20 and the rate of interest is 5, then it can be said that this 20 is interest on a capital of 400. And in fact the land then sells at 400, which simply amounts to the sale of the rent for a period of 20 years. This payment of the anticipated 20 years' rent is thus the price of the land. The land is thereby converted into capital. The annual payment of 20 merely represents 5 per cent interest on the capital which was paid for the land. And in this way, the formula land—rent is converted into capital—interest, which, for its part, is transmogrified into payment for the use-value of commodities, that is, into the relationship of use-value to exchange-value.

The more analytical vulgarians understand that the price of land is nothing more than an expression for the capitalisation of rent; [that] in fact [it is] the purchase price of rent for a number of years and that it is determined by the prevailing rate of interest. They understand that rent is antecedent to this capitalisation of rent and that, on the other hand, it is therefore impossible to explain rent by its own capitalisation. They therefore deny the existence of rent itself by asserting that it is interest on the capital invested in the land. This does not prevent them from admitting that land in which no capital is invested carries rent, any more than it prevents them from admitting that *equal amounts* of capital invested in land of different fertility yield *different* amounts of rent, or that *unequal amounts* of capital invested in land of unequal fertility may yield *the same* amounts of rent. [They admit] that likewise the capital invested in land—if indeed it is to

account for the rent paid for the land—may yield perhaps five times as much interest, that is, five times as much rent, as is yielded by the same amount of capital invested as fixed capital in industry.

One perceives that here the difficulty is always eliminated by *disregarding* it and substituting a relationship expressing the opposite of the *specific difference* which has to be explained, and therefore, in any case, *not* expressing the difference at all. |932||

[6. The Struggle of Vulgar Socialism Against Interest (Proudhon). Failure to Understand the Inner Connection Between Interest and the System of Wage-Labour]

||935| Proudhon's polemic against Bastiat on the question of interest is characteristic both of the manner in which the vulgarian defends the categories of political economy and of the way in which superficial socialism (Proudhon's polemic hardly deserves the name) attacks them. We shall return to this in the section on the vulgarians. Here only a few preliminary remarks.

The return movement [of money] should not have shocked Proudhon as being something peculiar if he understood anything at all about the movement of capital. Neither should the surplus-value contained in the returning amount. This is a characteristic feature of capitalist production.

<For Proudhon however, as we shall see, the surplus is a surcharge. Altogether his criticism is that of a novice, he has not mastered the first elements of the science he intends to criticise. Thus, he has never understood that money is a necessary aspect of the commodity (see Part I). Here he even confuses money and capital because loan capital appears as money capital in the form of money.>

What might have struck him was not the surplus for which no equivalent was paid, since surplus-value—and capitalist production is based on it—is value which has cost no equivalent. This is not a specific feature of interest-bearing capital. The specific feature—insofar as we are considering the form of the movement—is only the first phase, that is, precisely the opposite of what Proudhon has in mind, namely, that the lender hands over the money without receiving an equivalent for it at the outset and that, therefore, the return of the capital with interest, as regards the transaction between borrower and lender, [is not related to] the metamorphoses which capital undergoes and which, insofar as they are mere metamorphoses of economic form, consist of a series of exchanges, conversion of commodities into money and conversion of money into commodities; insofar as they are real metamorphoses, that is, elements of the production process, they coincide with industrial consumption. Here consumption itself constitutes a phase of the movement of economic forms.

But what money in the hands of the lender does not do, it does in the hands of the borrower who really employs it as capital. It performs its real movement as capital in the hands of the borrower. It returns to him as money plus profit, money plus $^{1}/_{x}$ money. The movement between lender and borrower only expresses the starting-point and the final point of capital. It is money when it passes from the hands of A into those of B. It becomes capital in B's hands, and as such, after undergoing a certain revolution, it returns with profit. This interlude, the real

process, which comprises both the circulation process and the production process, is not connected with the transaction between borrower and lender. It [the transaction] recommences only after the money *has been* realised as capital. The money now passes back into the hands of the lender along with a surplus, which, however, comprises only part of the surplus realised by the borrower. The equivalent which the borrower receives is industrial profit, that is, the part of the surplus which he retains and which he appropriates only by means of the money borrowed. All this is not visible in the transaction between him and the lender. This is limited to two acts. Transfer from A's hands into those of B. Interval during which the money remains in B's hands. After this interval the money along with interest returns into A's hands.

If one examines merely this form—the transaction between A and B—then one regards the mere form of capital without the intervening stage: a certain amount of money a is handed over and after a certain period returns as $a+{}^{1}/_{x}a$ without the assistance of any intermediate link apart from the period of time which elapses between the departure of the sum of money a and its return as $a+{}^{1}/_{x}a$.

And it is in this abstract form, which, indeed, exists as an independent movement alongside the real movement of capital, opens it and closes it, that Mr. Proudhon considers the matter in hand, so that everything inevitably remains incomprehensible to him. If instead of buying and selling, lending in this form were to be abolished, then, according to Proudhon, the surplus would disappear. In fact only the division of the surplus between two sets of capitalists would disappear. But this division can and must be constantly generated anew whenever it is possible to convert commodities or money into capital, and, on the basis of wage-labour, this is always possible. In order that it should be impossible for commodities and money to become capital and therefore

be lent as capital *in posse*, they must not confront wage-labour. If they are thus not to confront it as *commodities* and *money* and consequently labour itself is not to become a commodity, then that amounts to a return to pre-capitalist modes of production ||936| in which it [labour] does not become a commodity, and for the greater part still exists in the form of serf or slave labour. On the basis of free labour, this is only possible where the workers are the owners of their means of production. Free labour develops within the framework of capitalist production as *social* labour. To say that they are the owners of the means of production amounts to saying that these belong to the united workers and that they produce as such, and that their own output is controlled jointly by them. But wanting to preserve wage-labour and thus the basis of capital, as Proudhon does, and at the same time to eliminate the "drawbacks" by abolishing a secondary form of capital, reveals the novice.

Gratuité du Crédit. Discussion entre M. Fr. Bastiat et M. Proudhon, Paris, 1850.

He regards lending as something evil because it is not a sale.

To lend at interest "is the ability to *sell* the same *object* again and again and always to receive a *price* for it without ever relinquishing ownership of the object which one sells" (op. cit., p. 9) (*First Letter* written by Chevé, one of the editors of *La Voix du Peuple*).

What confuses him is that the "object" (money or a house, for example) does not change owners as in the case of buying and selling. But he does not see that when money is handed over, no equivalent is received in return; that, on the contrary, in the real [production] process, in the form and on the basis of exchange, not only an equivalent, but a surplus which is not paid for, is returned; insofar as exchange, exchange of things, takes

place, no change of values occurs, the same person remains the "owner" of the same value, and insofar as there is a surplus, there is no exchange. When the exchange of commodity and money begins again, the surplus is already absorbed in the commodity. Proudhon does not understand how profit, and consequently interest as well, arise from the law of the exchange of values. "House", "money", etc., ought therefore to be exchanged not as "capital", but as "commodities ... at cost-price" (op. cit., pp. 43-44).

> "Indeed the hatter, who sells hats...gets back [...] their value, neither more nor less. But the capitalist who lends money, not only...gets his capital back undiminished, he receives more than the capital, more than he put into the exchange; he receives interest in addition to the capital..." (op. cit., p. 69).

Mr. Proudhon's hatters do not appear to be *capitalists* but journeymen.

> "Since in trade *the price of the commodity is formed* by adding *interest on capital* to the workers' *wages*, the worker is therefore unable to buy back the product of his own labour. To live by one's labour is a principle which, under the rule of interest, comprises a contradiction" (op. cit., p. 105).

The worthy Proudhon confuses money as a means of circulation with money as capital in Letter IX (pp. 144-52) and therefore concludes that "capital" in France yields 160 per cent, namely, 1,600 million interest annually in State debts, mortgages, etc., on a capital of one thousand million, i.e., "the amount of currency ... circulating in France..."

Further:

> "Since, as a result of the accumulation of interest, *money capital* always returns to its source, from one exchange to another, it

> follows that re-lending is always undertaken by the same hand, always brings profit to the same person" (op. cit., p. 154).

Because capital is lent out in the form of money, Proudhon believes that money capital, that is, currency, possesses this specific attribute. Everything should be *sold* but nothing *lent*. In other words: In the same way as he wanted commodities to exist but did not want them to become "money", so here he wants commodities, money, to exist but they must not develop into capital. When all phantastic forms have been stripped away, this means nothing more than that there should be no advance from small, petty-bourgeois peasant and artisan production to large-scale industry.

> "Since value is nothing but a *proportion*, and all products are necessarily *proportional to one another*, it follows that, from a social point of view, products are always values, and stable values at that. For society, the difference between capital and product does not exist. This difference is quite subjective, it exists only for individuals" (op. cit., p. 250).

What mischief is caused when such philosophical German terms as "subjective" fall into the hands of a Proudhon. The bourgeois social forms are "subjective" for him. And the subjective, and moreover erroneous, abstraction that, because the exchange-value of commodities expresses a *proportion*, it expresses every possible proportion between commodities and does not express a third thing to which the commodities are proportional—this false "subjective" abstraction is the social point of view ||937| according to which not only commodity and money, but commodity, money and capital are identical. Thus, from this "social point of view", all cats are indeed grey.

Finally there is also the surplus in the form of morality:

"All labour *must* produce a *surplus*" (op. cit., p. 200).

With which moral precept the surplus is naturally defined very nicely. |937||

[7. Historical Background to the Problem of Interest. Luther's Polemic Against Interest Is Superior to That of Proudhon. The Concept of Interest Changes as a Result of the Evolution of Capitalist Relations]

||937| Luther, who lived in the period of the dissolution of medieval civil society into the elements of modern society—a process which was accelerated by world trade and the discovery of new gold deposits—naturally knew capital only in its two antediluvian [forms] of interest-bearing capital and merchant capital. Whereas in its early phase capitalist production, haying gained strength, seeks to subordinate interest-bearing capital to industrial capital by force—this was in fact done first of all in Holland, where capitalist production in the form of manufacture and large-scale trade first blossomed, and in England in the seventeenth century it was, partly in very naive terms, declared to be the primary requisite of capitalist production—on the other hand, during the transition to capitalist production, the first step is the *recognition* that "usury", the old-fashioned form of interest-bearing capital, is a condition of production, a necessary production relation; in the same way as later on

its justification is recognised by industrial capital, which regards it as flesh of its own flesh, as soon as industrial capital subordinates interest-bearing capital to itself (eighteenth century, *Bentham*).

Luther is *superior* to Proudhon. The difference between *lending* and *selling* does not confuse him, for he perceives that usury exists equally in both. The most striking feature of his polemic is that he makes his main point of attack the fact that *interest is an innate element of capital.*

I. Books *on trade and usury* written in 1524. [*Von Kauffshandlung und Wucher* in] Part VI of Luther's *Works*, Wittenberg, 1589.

(This was written on the eve of the Peasant War.)

[About] trade (merchant capital):

> "There is now great outcry against the nobles or robbers amongst the merchants" (one can see why the merchants are for the princes and against the peasants and knights), "that they have to conduct their trade in great danger and that they are arrested, beaten, despoiled and robbed, etc., in consequence of trading. But if they suffered these things for the sake of righteousness, then, in truth, all merchants would be holy men... But since such great unrighteousness and un-Christian thieving is rife throughout the whole world because of the merchants, and often enough amongst them themselves, why should we wonder if God wills it that such great wealth, gained by unrighteous means, is lost or stolen in its turn, and that because of it, the merchants are knocked on the head or arrested?... And it is the duty of the princes to punish such unrighteous commerce with due force and to see to it that their subjects are not fleeced so shamefully by the merchants. But because they do not do this, God uses the knights and the robbers and punishes the wickedness of the merchants through them; they must be His devils. Just as

He plagues with devils or destroys with enemies the Land of Egypt and the whole world. Thus He causes one scoundrel to be flogged by another, but He does not indicate thereby that knights are lesser robbers than merchants, since the merchants rob the whole world every day while a knight only robs one or two people once or twice a year" (p. 296).

"... Follow the words of Isaiah: Your princes have become the companions of thieves. While they hang thieves who have stolen a guilder or half a guilder, they consort with those who rob the whole world and who steal more safely than any others; truly, the proverb—big thieves hang ||938| little thieves—still holds good, and, as Cato, the Roman senator, said: Little thieves are put into dungeons and in the stocks, but great thieves parade in gold and silk. But what will God have to say in the end? He will do as He said when He spoke through the mouth of Ezekiel: He will crush and melt prince and merchant, one thief and another, into one another like lead and brass, just as happens when a town is burned down, so that there will be princes and merchants no longer, and I fear that this is not so far off" (p. 297).

[On] *usury. Interest-bearing capital:*

"I am told that nowadays 10 guilders, i.e., 30 per cent, are charged in any Leipzig market; some add also the Neunburg market so that it comes to 40 per cent. I don't know whether it is even higher. Shame on you, where the devil will it end?... Whoever in Leipzig now has 100 florins, takes 40 in a year, this means that he has eaten up a peasant or a burgher in a year. If he has 1,000 florins, then he takes 400 in a year, that is, he eats up a squire or a rich gentleman in a year. If he has 10,000, he takes 4,000, that is, he eats up a rich count in a year. If he has 100,000, as must happen in the case of the great merchants, then he takes 40,000 in a year, that is, he eats up a great, rich prince in a year. If he has 1,000,000, then he takes 400,000 in a year, that is, he eats up some great king in a year. And he suffers not

> any danger in so doing, neither to his body nor to his treasure, labours not, sits by the fire and roasts apples; thus a chair thief may sit at home and eat up a whole world in 10 years" (pp. 312-13).

<II. *Eyn Sermon auf das Evangelion von dem reichen Mann und armen Lazaro etc.*, Wittemberg, 1555 [A Sermon on the Gospel of the Rich Man and Poor Lazarus, etc.].

> "We must not regard the rich man according to his outer bearing, for he wears sheep's clothing and his life shines and seems pretty and covers up the wolf most perfectly. For the Gospel does not charge him that he committed adultery, murder, robbery, sacrilege or anything that the world or reason would censure. Indeed he is as honest in his life as that Pharisee who fasts twice a week and is not as other men.">

Here Luther tells us how usurer's capital arises, [through] the ruination of the citizens (small townspeople and peasants), the gentry, the nobility and the princes. On the one hand, the usurer comes into possession of the surplus labour and, *in addition, the conditions of labour* of plebeians, peasants, members of craft guilds, in short, of the small commodity producers who need money in order, for example, to make payments before they convert their commodities into money, and who have to buy certain of their conditions of labour, etc. On the other hand, the usurer appropriates rent from the owners of rent, that is, from the prodigal, pleasure-seeking rich. Usury is a powerful means for establishing the pro-conditions for industrial capital—a mighty agency for separating the conditions of production from the producers, insofar as it has the twofold result, firstly, of establishing independent fortunes in the form of money, secondly, of appropriating the conditions of labour to itself, that is, ruining the owners of the old conditions of labour, just like the merchant. And both have the

common feature that they acquire an independent fortune, that is, they accumulate in their hands in the form of money claims part of the annual surplus labour, [part] of the conditions of labour [and also part] of the accumulated annual labour. The money actually in their hands constitutes only a small portion of both the annual and the annually accumulated wealth and circulating capital. That they acquire *fortunes* means that a significant portion of both the annual production and the annual revenue accrues to them, and this is payable not in kind, but in the converted form, in money. Consequently, insofar as money does not circulate actively as currency, is not in movement, it is accumulated in their hands. They also hold some of the reservoirs of circulating money and to an even larger extent they hold and accumulate titles to products, but in the form of money titles, titles to commodities converted into money. ||939| On the one hand, usury leads to the ruin of feudal wealth and property; on the other hand, it brings about the ruin of petty-bourgeois, small-peasant production, in short, of all forms in which the producer is still the owner of his means of production.

The worker in capitalist production *does not own* the means of production, [he owns] neither the land he cultivates nor the tools with which he works. This alienation of the conditions of production corresponds here, however, to a real change in the mode of production itself. The tool becomes a machine, and the worker works in the workshop, etc. The mode of production no longer tolerates the dispersal of the means of production connected with small property, just as it does not tolerate the dispersal of the workers themselves. In capitalist production, usury can no longer *separate* the conditions of production from the workers, from the producers, because they have already been separated from them.

Usury *centralises* property, especially in the form of money, only where the means of production are scattered,

that is, where the worker produces more or less independently as a small peasant, a member of a craft guild (small trader), etc. As peasant or artisan, whether the peasant is or is not a serf, or the artisan is or is not a member of a craft guild. The usurer here not only appropriates the part of the surplus labour belonging to the bondsman himself, or in the case of the free peasant, etc., the whole surplus labour, but he also appropriates the instruments of production, though the peasant, etc., remains their nominal owner and treats them as his property in the process of production. This kind of usury rests on this particular basis, on this *mode of production*, which it does not change, to which it attaches itself as a parasite and which it impoverishes. It sucks it dry, enervates it and compels reproduction to be undertaken under constantly more atrocious conditions. Thus the popular hatred of usury, especially under the conditions prevailing in antiquity, where this form of production—in which the conditions of production are the property of the producer—was at the same time the basis of the political relationships, of the independence of the citizen. This comes to an end as soon as the worker no longer possesses any conditions of production. And with it the power of the usurer likewise comes to an end. On the other hand, insofar as slavery predominates or [insofar as] the surplus labour is consumed by the feudal lord and his retainers and they fall prey to the usurer, the mode of production also remains the same, only it becomes more oppressive. The debt-ridden slave-holder or feudal lord squeezes more out because he himself is being squeezed dry. Or, finally, he makes way for the usurer, who becomes a landowner, etc., like the *eques,*[h] etc., in Ancient Rome. In place of the old exploiter, whose exploitation was to some extent a means of political power, there appears a coarse, money-hunting parvenu. But the mode of production itself remains unchanged.

The usurer in all pro-capitalist modes of production has a revolutionary impact only in the *political* sense, in that he destroys and wrecks the forms of property whose constant reproduction in the same form constitutes the stable basis of the political structure. [The usurer] has a centralising [effect] as well, but only on the basis of the old mode of production, thus leading to the disintegration of society—apart from the slaves, serfs, etc., and their new masters—into a mob. Usury can continue to exist for a long time in Asiatic forms of society without bringing about real disintegration, but merely giving rise to economic decay and political corruption. It is only in an epoch where the other conditions for capitalist production exist—free labour, a world market, dissolution of the old social connections, a certain level of the development of labour, development of science, etc.—that usury appears as one of the factors contributing to the establishment of the new mode of production; and at the same time causing the ruin of the feudal lords, the pillars of the anti-bourgeois elements, and the ruin of small-scale industry and agriculture, etc., in short, as a factor leading to the centralisation of the conditions of production in the form of capital.

The fact that the usurers, merchants, etc., possess "monetary fortunes" simply means that the wealth of the nation, insofar as it takes the form of commodities or money, is concentrated in their hands.

At the outset capitalist production has to fight against usury to the extent that the usurer himself does not become a producer. With the establishment of capitalist production the domination of the usurer over surplus labour, a domination which depends on the continued existence of the old mode of production, ceases. The industrial capitalist collects surplus-value directly in the form of profit; he has also already seized part of the means of production and he appropriates part of the annual accumulation directly. From this moment, and especially

as soon as industrial and commercial wealth develops, the usurer—that is, the lender at interest—is a person who is differentiated from the industrial capitalist only as the result of the division of labour, but is subordinated to industrial capital.

||940| III. *An die Pfarrherrn wider den Wucher zu predigen. Vermanung*, Wittemberg, 1540 (without pagination).

[Discusses] *trading (buying, selling) and lending*. (Unlike Proudhon, Luther is not deceived by these differences of form.)

> "Fifteen years ago I wrote against usury since it had already become so widespread that I could hope for no improvement. Since that time, it has exalted itself to such a degree that it no *longer wishes* to *be a vice, sin or infamy* but extols itself as downright virtue and honour as if it conferred a great favour on and did a Christian service to the people. What will help and counsel us now that infamy has become honour and vice virtue? Seneca says with good reason: *Deest remedii locus, ubi, quae vitia fuerunt, mores fiunt.*[i] Germany has become what it had to become, accursed avarice and usury have corrupted it completely...
>
> "First
> concerning *lending* and *borrowing:* Where money is lent and more or better is demanded and taken in return, that is usury, anathemised in all laws. Therefore all those who take five, six or more on a hundred on money lent are usurers, and they know they are acting as such and are called the idolatrous servants of covetousness and of Mammom... And one should say the same in respect of corn, barley and other goods, where more or better is: demanded in return, that it is usury, goods stolen and extorted. For lending means my handing over my money, goods or chattels to somebody for as long as he needs them, or for as long as I can and wish to, and he returns the

same things to me in his own good time, in as good a condition as that in which I lent him them."

"Thus *they also* make a *usury out of buying and selling*. But this is too much to deal with in one single bite. We must deal with one thing now, with usury as regards loans; when we have put a stop to this (as on the Day of Judgement), then we will surely read the lesson with regard to *usurious trade*."

"Thus Squire Usurer says: Friend, as things are at present, I do my neighbour a great *service* in that I lend him a hundred at five, six, ten. And he thanks me for such a loan as a very special favour. He does, in truth, entreat me for it and pledges himself freely and willingly to give me five, six, ten guilders in a hundred... Should I not be able without extortion to take this interest with a good conscience?...

"Let [whoever wants to do so] extol himself, put on finery and adorn himself [but pay no heed and keep firmly to the scripture] ... whoever takes more or better than he gives, that is usury and is *not a service, but a wrong* done to his neighbour, as when one steals and robs. All is not service and benefit to a neighbour that is called service and benefit. For an adultress and an adulterer do one another a great service and pleasure. A horseman does a great service to a robber by helping him to rob on the highway, and attack the people and the land. The papists do us a great service in that they do not drown, burn, murder all or let them rot in prison, but let some live and drive them out or take from them what they have. The devil himself does his servants a great, inestimable service... To sum up: the world is full of great, excellent daily services and good deeds... The poets write about the Cyclops Polyphemus, who said he would do Ulysses an act of friendship, namely, that he would eat his companions first and then Ulysses last. In sooth, this would have been a service and a fine favour. Such services and

> good deeds are performed nowadays most diligently by the high-born and the low-born, by peasants and burgesses, who buy goods up, pile up stocks, bring dear times, ||941| increase the price of corn, barley and of everything people need; they then wipe their mouths and say: Yes—one must have what one must have; I let my things out to help people although I might—and could—keep them for myself; and God is thus fooled and deceived... The sons of men have become very holy... So that now nobody can profiteer, be covetous or wicked; the world has really become holy, *everyone serves his fellows*, nobody harms anybody else...
>
> "But if this is the kind of service he does, then he does it for Satan himself; although a poor needy man requires such service and must accept it as a service or favour that he is not eaten up completely...
>
> "He[j] does and must do thee such a favour" (pay interest to the usurer) "if he wants to get *money*."

<One can see from the above that usury increased greatly in Luther's time and was already justified as a "*service*" (Say, Bastiat). Even the formulation of competition or harmony existed already: "Everyone serves his fellows."

In the world of *antiquity*, during the better period, usury was forbidden (i.e., interest was not allowed). Later [it was] lawful, and very prevalent. Theoretically the view always [predominated] that interest in itself is wicked (as was stated by *Aristotle*).

In the *Christian Middle Ages*, it was a "sin" and prohibited by "the canon".

Modern times. *Luther*. The Catholic-pagan view still [prevailed]. Usury became very widespread (as a result partly of the monetary needs of the government, [partly]

of the development of trade and manufacture, [and the] necessity to convert the products into money). But its civic justification is already asserted.

Holland. The first apologia for usury. It is also here that it is first modernised and subordinated to industrial or commercial capital.

England. Seventeenth century. The polemics are no longer directed against usury as such, but against the amount of interest, and the fact that it dominates credit. The desire to establish the form of credit. Regulations are imposed.

Eighteenth century. *Bentham*. Unrestricted usury is recognised as an element of capitalist production.>

[A few more extracts from Luther's *An die Pfarrherrn wider den Wucher zu predigen*.]

Interest as compensation for loss.

> ["The following case can happen and no doubt does happen often, that I, Hans, lend you, Baltzer, a hundred guilders on condition that I must have it back by Michaelmas when I shall need it urgently, otherwise (if you fail me) I shall be in dire trouble. Michaelmas comes and you do not give me the hundred guilders back. Thereupon the judge takes me by the throat, or throws me in the dungeon or prison, or some other trouble befalls me until I pay. There I sit, or remain locked away, missing my food and improvement to my great cost; and you with your delay have brought me to this pass and returned my good deed so badly. What shall I now do? My losses increase day by day and I suffer additional expenses because, and so long as, you delay and do nothing. Who is now to bear the loss or penalty? For my losses with remain an insufferable guest in my house until I am utterly ruined."]

"Well then, speaking in worldly and juridical fashion (we shall have to wait until later to speak about it theologically), you, Baltzer, are due to give me the hundred guilders along with all the losses and charges which have been added." <By charges, he means legal charges, etc., which the lender has incurred because he himself could not pay his debts.> "It is therefore right and proper and likewise according to reason and natural haw that you make restitution to me of everything—both the *capital sum and the loss*... In legal books, the Latin word for this indemnification is *interesse*...

"Something else can happen in the way of loss. If you, Baltzer, do not give me back my hundred guilders by Michaelmas and l have to make a purchase, say to buy a garden, a plot of land or a house, or anything from which I and my children could derive great use or sustenance, then I must forego it and you do me damage and are a hindrance to me so that I can never get such a bargain again because of your delay and inactivity, etc. But since I lent you the hundred guilders, you have caused me to suffer twofold damage *because I cannot pay on the one hand and cannot buy on the other* and thus must suffer loss on both sides. This is called *duplex interesse, damni emergentis et lucri cessantis*[k]...

"Having heard that Hans has suffered loss on the hundred guilders which he lent and demands just recompense for this loss, they rush in and charge *such double compensation on every 100 guilders*, namely, for expenses incurred and for the inability to buy the garden; *just as though every hundred could grow double interest naturally, so that whenever they have a hundred guilders, they loan them out and charge for two such losses which however they have not incurred at all*...

"Therefore thou art a usurer, *who makes good thine own imagined losses with your neighbour's money*, losses which no one has caused thee and which thou canst neither prove

nor *calculate*. The lawyers call such losses *non verum, sed phantasticum interesse.[l] A loss which each man dreams up for himself*...

"It will not do ||942| to say I might incur a loss because I might not have been able to *pay* or *buy*. That would mean *ex contingente necessarium,[m]* making something that must be out of something which is not, to turn a thing which is uncertain into a thing which is absolutely sure. Would such usury not eat up the world in a few years...

"If the lender *accidentally* incurs a loss through no fault of his own, he must be recompensed, but it is different in such deals and just the reverse. There he seeks and *invents* losses to the detriment of his needy neighbours; thus he wants to maintain himself and get rich, to be lazy and idle and to live in *luxury and splendour of other people's labour* and worry, danger and loss. So that I sit behind the stove and let *my hundred guilders gather wealth for me throughout the land*, and, because they *are only loaned, I keep them safely in my purse* without any risk or worry; my friend, who would not like that?

"And what has been said about money which is loaned applies also to corn, wine and such like goods which are lent, for they also may occasion such double damage. But *such double damage is not something naturally accruing to the goods*, but may arise *by accident* only and cannot therefore be reckoned as damage unless it has actually occurred and been proved, etc...

"Usury there must be, but woe to the usurers...

"All wise, reasonable heathens have also inveighed against usury as something exceedingly evil. Thus Aristotle, in his *Politics*, says that usury is against nature and for this reason: it always takes more than it gives. Thereby it abolishes the means and

measure of all virtue, which we call like for like, *aequalitas arithmetica*[n], etc.…

"But taking from other people, stealing or robbing, is called a shameful way of maintaining oneself, and those who do so are called, by your leave, thieves and robbers, whom we are accustomed to hang on the gallows; a usurer however is a nice thief and robber and sits in a chair, therefore we call him a *chair thief*…

"The heathens were able, by the light of reason, to conclude that a usurer is a double-dyed thief and murderer. We Christians, however, hold them in such honour that we fairly worship them for the sake of their money… Whoever eats up, robs and steals the nourishment of another, commits as great a murder (so far as in him lies) as he who starves a man to death or utterly undoes him. But such does a usurer, and sits the while, safe on his chair, when he ought rather to be hanging on the gallows and eaten by as many ravens as he has stolen guilders, if only there was so much flesh on him that so many ravens could stick their beaks in and share it…

"But the dealers and usurers will cry out that what is written under hand and seal must be honoured. To this the jurists have given a prompt and sufficient answer. *In malis promissis.*[o] Thus the theologians say that some people give the devil something under hand and seal signifies nothing, even if it is written and sealed in blood. For what is against God, Right and Nature is null and void. Therefore let a Prince who can do so, take action, tear up bond and seal, take no notice of it, etc. …

"Therefore there is on this earth no greater *enemy of men*, after the devil, than a miser and usurer, for *he wants to be God over all men*. Turks, soldiers, tyrants are also bad men, yet they must let the people live and confess that they are bad and enemies, and can, nay must, now and then show pity on

> some. But a usurer and money-grubber, such a one would have the whole world perish of hunger and thirst, misery and want, so far as in him lies, so that he may have all to himself and everyone *receive from him as from a God and* ||943| *be his serf for evermore*. This is what gladdens his heart, refreshes his blood. And, at the same time, he can wear sable cloaks, golden chains, rings, gowns, wipe his mouth, be deemed and taken for a worthy, pious man, who is more merciful than God Himself, more loving than the Mother of God, and all the holy Saints…
>
> "And they write of the great deeds of Hercules, how he overcame so many monsters and frightful horrors in order to save his country and his people. For usury is a great horrible monster, like the werewolf, who lays everything waste, more than any Cacus, Geryon or Antaeus, etc. And yet he decks himself out and wants to appear pious so that people may not see where the oxen have gone (*that he drags backwards into his den*)."

<An excellent picture, it fits the capitalist in general, who pretends that what he has taken from others and brought into his den, *emanates from him*, and by causing it to go *backwards* he gives it the semblance of having *come from his den*.>

> "But Hercules shall hear the cry of the oxen and of the prisoners and shall seek out Cacus even on the cliffs and among the rocks, and he shall set the oxen loose again from the villain. For Cacus means the villain that is a *pious usurer* who steals, robs and eats everything. And will not admit that he has done it and thinks no one will find him out, because the oxen, drawn backwards into his den, make it seem from their footprints that they have been *let out*. Thus the usurer wants to deceive the world, as though he were of use and gave the world oxen, *whereas, in reality, he seizes them for himself and consumes them*…

> "Therefore, a usurer and miser is, indeed, not truly a human being, sins not in a human way and must be looked upon as a werewolf, more than all the tyrants, murderers and robbers, nearly as evil as the devil himself, but one who sits in peace and safety, not like an enemy, but like a friend and citizen, yet robs and murders more horribly than any enemy or incendiary. And since we break on the wheel and behead highwaymen and burglars, how much more ought we to break on the wheel and kill all usurers, and drive out, curse and behead all misers... "

A highly picturesque and striking description of both the character of old-fashioned usury, on the one hand, and of capital in general, on the other, with the "imagined loss", the "indemnification which naturally accrues" to money and commodities, the general phrases about usefulness, the "pious" air of the usurer who is not "like the rest of men", the appearance of giving when one is taking, and of letting out when one is pulling in, etc.

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> "The great premium attached to the possession of Gold and Silver, by the power it gives of selecting advantageous moments of purchasing, gradually gave rise to the trade of the *Banker*." The Banker "differs from the old *Usurer* in this respect, that he lends to the rich and *seldom or never to the poor*. Hence he lends with less risk, and can afford to do it on cheaper terms; and for both reasons, he avoids the popular odium which attended the Usurer" (Francis William Newman, *Lectures on Political Economy*, London, 1851, p. 44).

The involuntary alienation of feudal landed property develops along with the development of usury and money.

> "The introduction of money which buys all things, and in consequence of that, the favour due to creditors, who have lent their money to

> a possessor of land, brings in the necessity of legal alienation for the payment of what has been thus lent…" (John Dalrymple, *An Essay towards a General History of Feudal Property in Great Britain*, London, 1759, fourth ed., p. 124).

||944| "According to Thomas Culpeper (1641), Josiah Child (1670) and Paterson (1694) wealth depends on the self-imposed reduction in the rate of interest on gold and silver." [This rule] "was observed in England for almost two centuries" (Charles Ganilh, (*Des systémes d'économie politique*…, seconde éd., tome premier, Paris, 1821, pp. 58-59]).

When *Hume*—in opposition to Locke—declared that the rate of interest is regulated by the rate of profit, he had a much higher development of capitalism in mind. This was even more true of Bentham when he wrote his defence of usury towards the end of the eighteenth century.

A reduction in the rate of interest was imposed by law from the time of Henry VIII to that of Queen Anne.

> No country had a *general rate of interest* during the Middle Ages. Only the priests [prohibited all transactions involving interest] with great sternness. Legal measures safeguarding loans were unreliable. The rate of interest was consequently very high in individual cases. *The amount of money in circulation was small and it was necessary to make most money payments in cash*, for bills of exchange were not yet widely used. Hence interest and the concept of usury varied considerably. In Charlemagne's time it was regarded as usurious if 100 per cent was charged. The local burghers in Lindau on Lake Constance charged 216 $^{2}/_{3}$ per cent in 1344. The legal rate of interest in Zürich was fixed at 43 $^{1}/_{3}$ per cent by the Council. In Italy, 40 per cent had to be paid occasionally although the usual rate did not exceed 20 per cent from the twelfth to the fourteenth

centuries. Verona decreed a legal rate of 12½ per cent. Frederick II 10 per cent, but this only for Jews. He would not say what the rate should be for Christians. The usual rate in the Rhenish part of Germany was 10 per cent as early as the thirteenth century (Hüllmann, *Städtewesen des Mittelalters*, Zweiter Teil, Bonn, 1827, pp. 55-57).

The enormous rates of interest in the Middle Ages (insofar as they were not paid by the feudal aristocracy, etc.) were based in the towns, in very large measure, on the gigantic profits upon alienation which the merchants and urban craftsmen made out of country people, whom they cheated.

In Rome, as in the entire ancient world—apart from merchant cities, like Athens and others, which were particularly developed industrially and commercially—[high interest was] a means used by the big landowners not only for expropriating the small proprietors, the plebeians, but for appropriating their persons.

Usury was originally permitted freely in Rome. The Law of the Twelve Tables (303 A.U.C.[p]) "fixed interest on money at 1 per cent per year" (Niebuhr says 10 per cent). "This law was promptly infringed [...] Duilius"(398 A.U.C.) "reduced the rate of interest to l per cent again [...] *unciario foenore*[q] [...] It was limited to ½ per cent in the year 408, and in 413 lending at interest was totally prohibited as a result of a referendum initiated by the Tribune Genucius [...] It is not surprising that in a republic in which the citizens were forbidden to carry on industry and both wholesale and retail trade, *trading in money should also be prohibited*" (Dureau de la Malle, [*Économie politique des Romains*,] t. II, [Paris, 1840,] pp. 259-61). "This lasted for 300 years until the fall of Carthage. It then [became legal to charge up to] 12 per cent, but the usual rate of annual interest was 6 per cent" (loc. cit., p. 261). "Justinian fixed the rate of interest at 4 per cent; in Trajan's time the legal rate of interest was 5

per cent, *usura quincunx*.[r] In Egypt the legal commercial interest was 12 per cent in 146 B.C." (loc. cit., pp. 262-63). |944||

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||950a| *James William Gilbart* in his *The History and Principles of Banking* (London, 1834) says the following with regard to *interest*.

> "That a man who borrows money with a view of *making a profit by it*, should give some portion of his profit to the lender, is a self-evident principle of natural justice. A man makes a profit usually by means of traffick. But in a country purely agricultural, and under such government as was the feudal system,[s] there can be but little traffick, and hence but little profit." Legislation against extortionate interest is therefore justified in the Middle Ages. "Besides, in an agricultural country a person seldom wants to borrow money except he be reduced to poverty or distress by misfortune" (p. 163).
>
> "In the reign of Henry VIII, interest was limited to 10 per cent. James I reduced it to 8 per cent [...] Charles II [...] to 6 per cent [...] Anne [...] to 5 per cent" (pp. 164-65). "...in those times, the lenders [...] had in fact, though not a legal, yet an actual monopoly, and hence it was necessary that they, like other monopolists, should be placed under restraint. In our times, it is the rate of profit which regulates the rate of interest. In those times, it was the rate of interest which regulated the rate of profit. If the money-lender charged a high rate of interest to the merchant, the merchant must have charged a higher rate of profit on his goods. Hence, a large sum of money would be taken from the pockets of the purchasers to be put into the pockets of the money-lenders. This *additional price*, too, put *upon the goods*, would render the public less able and less inclined to purchase them" (p.165).

In the seventeenth century, Josiah Child in his *Brief Observations concerning Trade and Interest of Money*, and Thomas Culpeper in his *Traité contre l'usure* (1621) likewise, attacks *Thomas Manley* (author of the tract *Interest of Money Mistaken*) whom he calls the "champion of the usurers". Naturally the point of departure—like that of all the arguments of English economists of the seventeenth century—was the wealth of Holland where there was a low rate of interest. Child considers that this low rate of interest is the cause of wealth. Manley declares that it is only the result [of wealth].

> "Insomuch that to know whether any Country be rich or poor ... no other question needs to he resolved, but this, viz. What Interest do they pay for Money?" ([Josiah Child, *Brief Observations concerning Trade and Interest of Money*, London, 1668, p. 9;] *Troités*, p. 74).[t]
>
> "...the gentleman brings up his battalia, and, like a stout champion for the sly and timorous herd of usurers, plants his main battery against that part which I confessed to be weakest... And he positively denies that the lowness of interest is the cause" (of wealth), "and affirms it to be only the affect thereof..." ([Josiah Child, *A New Discourse of Trade*..., London, 1775, p. 39;] *Traités*, p. 120).
>
> "When interest is abated, they who call in their money must either buy land" (whose price goes up as a result of the number of buyers), "or trade with it..."([*A New Discourse*..., p. 47;] *Traités*, p. 133).
>
> "... whilst interest is at 6 per cent no man will run an adventure to sea for the gain of 8 or 9 per cent which the Dutch, having money at 4 or 3 per cent at interest, are contented with..."([*A New Discourse*..., p.47;] *Traités*, p. 134).
>
> The low rate of interest and the high price of land force the merchant to stick to

commerce. "...it" (a low rate of interest) "inclines a nation to thriftiness" ([*A New Discourse...*, p. 52;] *Traités*, p. 144).

"...if trade be that which enricheth any kingdom, and lowering of interest advanceth trade...then the abatement of interest, or more properly restraining of usury... is doubtless a primary and principal cause of the riches of any nation; it being not improper to say, nor absurd to conceive, that the same thing ||950b| may be both a *cause* and an effect" ([*A New Discourse...*, p.58;] *Traités*, p. 155).

"...an egg is the cause of a hen, and a hen the cause of an egg.

"... [The like may be said of nations:] the abatement of interest causeth an increase of wealth, and the increase of wealth may cause a further abatement of interest. But that is best done by the midwifery of good laws..." ([*A New Discourse...*, p. 59;] *Traités*, p. 156).

"... I am an advocate for industry, he for idleness..." ([*A New Discourse...*, p.71;] *Traités*, p. 179).

He appears here as the direct champion of industrial and commercial capital. |XV-950b||

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[a] *Tokos*—to bear, produce, the product; figuratively: interest on money lent.—*Ed.*

[b] Free credit.—*Ed.*

[c] One must, after all, recover what is due to oneself, even if one takes it out of one's own pocket.—*Ed.*

[d] See this volume, pp. 480-81.—*Ed.*

[e] This can also mean: "the means of production do not yet work with it", i.e., *capital.—Ed.*

[f] The English socialists.—*Ed.*

[g] Marx gives this passage in his own words.—*Ed.*

[h] Knight.—*Ed.*

[i] There is no remedy where that which was regarded as unvirtuous becomes the habit.—*Ed.*

[j] The poor man.—*Ed.*

[k] Twofold compensation, for the loss incurred and for the gain missed.—*Ed.*

[l] Not real but imagined losses.—*Ed.*

[m] Making a necessity out of an accident.—*Ed.*

[n] Arithmetical equality.—*Ed.*

[o] In evil promises.—*Ed.*

[p] A.U.C.—anno *urbis conditae*—in the year of the founding of the City, used to express the date since the foundation of Rome (753 B.C.).—*Ed.*

[q] Increase by one twelfth (one ounce).—*Ed.*

[r] Interest of five twelfths (five ounces).—*Ed.*

[s] In Marx's manuscript this sentence reads (in German) as follows: "But in the Middle Ages the population was wholly agricultural. And in this case, just as under a feudal government", etc.—*Ed.*

[t] Marx quotes this and the following passages from the French translation of Child's *work—Traités sur le commerce et sur les avantages qui résultent de la réduction de l'interest de l'argent*, Amsterdam et Berlin,

Works of Karl Marx 1863

Post-Ricardian Social Criticism

Source: *Labour Monthly*, August 1923, pp. 105-113, "Further Selection from the Literary Remains of Karl Marx," translated and annotated by Max Beer;
Original German: Karl Marx, *Theorien über Mehrwert*, Stuttgart, 1910. Vol. III, pp. 280, 281, 307-309.

Transcribed: by Ted Crawford.

In 1907-1910 Karl Kautsky edited in four volumes a bundle of manuscripts left by Marx on various theories concerning surplus-value. They were written in 1862-1863, but were not made ready for the press owing to his work in the International. They deal among others with Petty, Dudley North, Locke; Hume, James Stewart, the Physiocrats (French and English), Adam Smith and his school, Ricardo and his school, Malthus, Sismondi, Ravenstone, Hodgskin, Cherbuliez, Richard Jones. The following extract is taken from a chapter on the transition from Ricardo to social criticism.

The disquisition on the Ricardian school shows how it reduces itself to two points: –

> (i) Exchange between Capital and Labour in conformity with the law of surplus-value.
>
> (ii) Formation of a general profit rate; identification of surplus value and profit; not understood relation between value and price of production.

In the Ricardian period of Political Economy there arises the opposition to it, namely, Communism (Owen) and Socialism (Fourier and Saint-Simon). The latter are

still in their swaddling clothes. According to our plan of work we have to deal only with the opposition which springs from the propositions of the economists ....

In the same measure as Political Economy grew into a science -- and this growth, as far as its principles are concerned, finds its clearest expression in Ricardo -- it came to regard Labour as the only element of value and the only creator of use-value, and the growth of the productive forces of labour as the only means of a real increase of wealth; the greatest possible development of the productive forces of labour as the economic basis of society. This is indeed the basis of capitalist production. Ricardo's book, by demonstrating the force of the law of value in relation to rent, capitalist accumulation, & c., is really devoted to the removal of all contradictions, or to an elucidation of all phenomena which appear as contradiction to the law of value. But in the same measure as labour comes to be regarded as the only source of exchange value and the active agent of use value, the economists, and particularly Ricardo (and more so Torrens, Malthus, Bailey, & c.), make 'capital' the regulator of production, while labour is in their eyes merely wage-labour, the agent and instrument of which is necessarily a pauper; and this conception is reinforced by the population theory of Malthus. The labourer is but one of the items in the cost of production, whose existence depends on a minimum wage, and who may even sink below the minimum as soon as, from the point of view of capital, he appears as a 'redundant' mass.

In this contradiction, Political Economy merely expresses the essence of capitalist production or, if you like, of wage-labour of labour which disowns its own creation, which looks upon the wealth it produces as the wealth of others, which regards its own productive capacity as that of the product (capital), and its own social power as the power of society.

And this specific, historical, transient form of social labour the economists regard as the general and only form, as something inevitable; and those conditions of production they pronounce to be the absolutely (not historically) necessary -- the natural and reasonable conditions of the productive work of society.

Hopelessly closed in by the horizon of capitalist production, the economists declare the antagonistic form in which the productive work of society appears to-day to be as necessary as social productive service itself when freed from all antagonism. By declaring, on the one hand, *labour* to be absolute, because they identify wage-labour with social labour, and on the other hand, *capital* to be absolute, that is, by pronouncing in the same breath the poverty of labour and the wealth of non-labour as the only source of wealth, they are permanently entangled in absolute contradictions, without having the slightest idea of it. Sismondi, by getting an inkling of it, is epoch-making in the history of political economy.

However, it was inevitable that the same real evolution, to which the economists gave theoretical expression, would likewise bring the real antagonistic forces to the surface, particularly through the contrast between the growing wealth of the 'nation' and the growing misery of the workers. And as, furthermore, these contradictions found in Ricardo's work a theoretically striking, though unconscious, expression it was but natural that the intellects who took the side of the proletariat would get hold of the contradiction which theory had prepared for them. You say, the latter argued with the economists, that labour is the only source of exchange value and the only active creator of use value, and yet you say, too, that capital is everything and labour nothing or merely a part of the cost of production. You have contradicted yourselves. Capital is nothing but robbery of labour. *Labour is everything*.

This is indeed the last word of all those writings which defend the interests of labour from the standpoint of Ricardo's theories. But as little as Ricardo understood the meaning of his identification of capital and labour do those proletarian defenders understand the contradiction which they point out; therefore it happens that the most prominent among them, such as Hodgskin, for instance, accept all prerequisites of capitalist production as eternal forms and but desire to eliminate capital, at once the basis and the necessary consequence.